The Political Economy of Social Upgrading

A class-relational analysis of social and economic trajectories of the garment industries of Cambodia and Vietnam

Marslev, Kristoffer

Publication date:
2019

Document Version
Publisher's PDF, also known as Version of record

Citation for published version (APA):
Marslev, K. (2019). *The Political Economy of Social Upgrading: A class-relational analysis of social and economic trajectories of the garment industries of Cambodia and Vietnam*. Roskilde Universitet.

The Political Economy of Social Upgrading

A class-relational analysis of social and economic trajectories of the garment industries of Cambodia and Vietnam

Kristoffer Marslev

Department of Social Sciences and Business
Roskilde University

Danish Institute for Human Rights

Supervisors

Lindsay Whitfield, Roskilde University
Hans-Otto Sano, Danish Institute of Human Rights

ISSN no. 0909-9174

THE DANISH
INSTITUTE FOR
HUMAN RIGHTS

Abstract

Based on a Marxist reworking of the global value chains (GVC) framework, supplemented by insights from structuralist development economics and dependency theory, the thesis investigates what role evolving class relations play in processes of social and economic upgrading in global garment value chains. Situating workers' agency at the intersection of a horizontal axis (local capital-labour-state relations) and a vertical axis (governance and distributional dynamics of the GVC), the thesis starts out by examining the key features of the 21st century garment GVC and their implications for producer countries. It is shown how a series of interrelated processes, including the transition to neoliberalism in the North, and the phase-out of quotas in the South, combined to produce a "supplier squeeze" in the garment GVC, with a simultaneous depression of export prices and an escalation of non-price requirements. Drawing on the work of the dependentista Marini, it is argued that these distributional dynamics amount to a form of unequal exchange that incentivizes manufacturers to super-exploit workers, pushing their wages below reproduction costs and/or working them beyond exhaustion.

Against this backdrop, the thesis interrogates the social and economic trajectories of the garment industries of Cambodia and Vietnam. Based on fieldwork and secondary sources, the analysis shows that workers' collective resistance to super-exploitation was a key driving force of social upgrading. In Cambodia, the thesis' primary case, a lengthy phase of social downgrading, with infrequent minimum wage adjustments and deteriorating living standards, was broken by a major strike wave in 2012-2014 – an event that resulted in a sequence of minimum wage hikes and a new wage-fixing mechanism. This "critical juncture" was leveraged by tectonic shifts in workers' structural bargaining power, including the temporary dry-up of surplus labour and a regime-shattering national election. The victory proved Pyrrhic, however, as employers and the government – eager to restore profitability and political control, respectively – pursued counter-strategies that severely weakened organized labour. In Vietnam, a parallel process took place a few years earlier: A historic strike wave (2006-2011), bolstered by upswings in workers' structural power, forced the party-state to raise the minimum wage and introduce annual wage adjustments.

These labour-led turning points, in turn, had economic implications, as wage-driven profit squeezes forced garment manufacturers to attempt moving up the value chain. In Cambodia, upgrading efforts were largely impotent, as the disconnect between export prices and living costs placed unrealistic demands on productivity growth; and a great part of the burden was shifted onto workers in the form of an intensification of labour processes. In Vietnam, in contrast, the garment industry was more successful in offsetting social upgrading through economic upgrading, a finding which is attributed to its mixed ownership and ambitious industrial policies. In sum, the thesis suggests that while garment workers' resistance is a key determinant of social upgrading, sustained improvements require a break with the "supplier squeeze" and its inflation-defying pricing dynamics.

Resumé

Med udgangspunkt i et reformuleret begreb om globale værdikæder, forankret i marxistisk politisk økonomi og suppleret med indsigter fra strukturalistisk udviklingsøkonomi og afhængighedsteori, undersøger afhandlingen, hvilken rolle skiftende klasserelationer har i økonomiske og sociale udviklingsprocesser i den globale tøjværdikæde. Teoriapparatet placerer tøjarbejderes kollektive agens i skæringspunktet mellem en horisontal akse (bestående af lokale klasseforhold), og en vertikal akse (styrings- og fordelingsmæssige egenskaber ved værdikæden).

Udstyret med dette teoriapparat lægger afhandlingen ud med, i et historisk perspektiv, at afdække hovedtendenserne i det 21. århundredes tøjværdikæde og deres implikationer for produktionslande. Analysen viser, at en række forbundne processer, herunder overgangen til neoliberalisme i det globale Nord og udfasningen af handelskvoter i det globale Syd, har skabt en "leverandørklemme" i form af samtidigt faldende eksportpriser og stigende krav til produktionstider, fleksibilitet og overholdelse af sociale og miljømæssige standarder. Inspireret af den brasilianske afhængighedstænker Marini argumenteres der for, at disse betingelser skaber en form for "ulige bytte", der giver sig udslag i en strukturelt faldende profitrate og tilskynder fabrikker i det globale Syd til – for at kompensere – at "over-udbytte" tøjarbejdere, dvs. betale faldende reallønninger og presse dem hårdere end deres kroppe kan bære.

På denne baggrund undersøger afhandlingen de sociale og økonomiske hovedudviklinger i tøjindustrierne i Cambodja og Vietnam. Ved hjælp af data indsamlet under feltarbejde i de to lande og en lang række øvrige kilder finder analysen, at tøjarbejderes kollektive handlen var en afgørende drivkraft bag social fremskridt i de to lande. I Cambodja, afhandlingens primære case, blev en længere periode – med uregelmæssige og utilstrækkelige justeringer af mindstelønnen, faldende levestandarder og en bølge af massebesvimelser – afbrudt af en ekstraordinær strejkebølge i 2012-2014. Disse begivenheder resulterede i en serie af lønstigninger og en ny lønfastsættelsesmekanisme baseret på årlige trepartsforhandlinger; indrømmelser, der bragte Cambodjanske tøjarbejdere betydeligt tættere på en leveløn. Den skelsættende strejkebølge fandt sted på baggrund af strukturelle forskydninger i magtbalancen mellem arbejde, kapital og stat, herunder en midlertidig reduktion i overskydende arbejdskraft og et jordskredsvalg, der – med en gryende alliance mellem oppositionen og arbejderklassen – udgjorde den største trussel mod regeringspartiets magtposition i årtier. Sejren viste sig dog dyrekøbt, idet arbejdsgivere og regeringen, i forsøg på at genoprette profitabilitet og politisk kontrol, tog en række modtræk, der svækkede arbejderbevægelsen. I Vietnam, der fungerer som komparativ case i analysen, udspillede et lignende scenarie sig nogle år tidligere: En historisk strejkebevægelse (2006-2012), forstærket af strukturelle opsving i tøjarbejderes forhandlingsposition, aftvang partistaten en række lønstigninger og en ny lønmekanisme.

Disse magtforskydninger havde økonomiske implikationer, idet stigende lønomkostninger udgjorde en profitklemme, der tilskyndede tøjfabrikker til at bevæge sig op af værdikæden. I Cam-

bodja var disse forsøg relativt virkningsløse, fordi den totale afkobling af eksportpriser og leveomkostninger gjorde det vanskeligt at imødekomme lønstigninger via øget produktivitet. I stedet blev en stor del af tilpasningsbyrden pålagt tøjarbejdere i form af opskruede produktionskvoter og stigende arbejdspres. I Vietnam, derimod, havde tøjindustrien større succes med at imødegå lønstigninger med økonomiske tiltag, hvilken kan tilskrives landets mere ambitiøse industripolitikker og blandede ejerskabsstruktur.

Overordnet peger analyserne på, at hvor arbejderes kollektive agens er afgørende for sociale fremskridt i den globale tøjværdikæde, kræver en socialt bæredygtig tøjindustri, at der gøres op med ”leverandørklemmen” og dens ekstreme prisdynamikker.

Table of Contents

List of figures

List of tables

Abbreviations

AC	Arbitration Council
ACILS	American Center for International Labor Solidarity
ADHOC	Cambodian Human Rights and Development Association
AMRC	Asia Monitor Resource Centre
ATC	Agreement on Textiles and Clothing
AUV	Aggregate Unit Value
BFC	Better Factories Cambodia
BLS	Bureau of Labor Statistics
C.CAWDU	Coalition of Cambodian Apparel Worker Democratic Union
CAMFEBA	Cambodian Federation of Employers and Business Associations
CATU	Cambodian Alliance of Trade Unions
CCC	Clean Clothes Campaign
CCHR	Cambodian Centre for Human Rights
CCU	Cambodian Confederation of Unions
CD	Cambodia Daily
CDRI	Cambodia Development Resource Institute
CENTRAL	Center for Alliance of Labor and Human Rights
CFITU	Cambodian Federation of Independent Trade Unions
CLC	Cambodian Labour Confederation
CLEC	Community Legal Education Centre
CLUF	Cambodia Labour Union Federation
CMT	Cut-Make-Trim
CNC	Cambodian National Labour Confederation
CNRP	Cambodian National Rescue Party
COMFREL	Committee for Free and Fair Elections in Cambodia
CPI	Consumer Price Inflation
CPP	Cambodian People's Party
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSES	Cambodia Socio-Economic Survey
CSR	Corporate Social Responsibility
CUF	Cambodian Union Federation
CUMW	Collective Union of Movement of Workers
DOLISA	Department of Labour, Invalids and Social Affairs
EBA	Everything But Arms
ETI	Ethical Trading Initiative
EVFTA	EU-Vietnam Free Trade Agreement
FDC	Fixed-Duration Contract
FFMP	Fundamental Freedoms Monitoring Project

FOB	Freight-on-Board
FTA	Free Trade Agreement
FTUWKC	Free Trade Union of Workers of the Kingdom of Cambodia
FUNCINPEC	Front uni national pour un Cambodge indépendant, neutre, pacifique et coopératif
GATT	General Agreement on Trade and Tariffs
GCC	Global Commodity Chain
GMAC	Garment Marnufacturers Association Cambodia
GPN	Global Production Network
GSP	Generalised System of Preferences
GVC	Global Value Chain
HCMC	Ho Chi Minh City
HRP	Human Rights Party
HRW	Human Rights Watch
ICFTU	International Confederation of Free Trade Unions
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
ITUC	International Trade Union Confederation
ITUV	Independent Trade Union of Vietnam
IWTU	Institute for Workers and Trade Unions
KNP	Khmer National Party
KT	Khmer Times
KYFTU	Khmer Youth Federation of Trade Unions
LAC	Labour Advisory Committee
LFS	Labour Force Survey
LICADHO	Cambodian League for the Promotion and Defense of Human Rights
MFA	Multi-Fibre Arrangement
MFN	Most-Favoured Nation
MOLISA	Ministry of Labour, Invalids and Social Affairs
MoLVT	Ministry of Labour and Vocational Training
NIFTUC	National Independent Federation of Textile Unions in Cambo-dia
NSSF	National Social Security Fund
OBM	Original Brands Manufacturing
ODM	Original Design Manufacturing
OHCHR	Office of the High-Commissioner for Human Rights
PPI	Producer Price Index
PPP	Phnom Penh Post
PRK	People’s Republic of Kampuchea
RFA	Radio Free Asia
SOE	State-Owned Enterprise

SRP	Sam Rainsy Party
TATA	Trade Agreement on Textiles and Apparel
TNC	Transnational Corporation
TPP	Trans-Pacific Partnership
UDC	Unlimited-Duration Contract
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USITC	United States International Trade Commission
UWFA	United Workers-Farmers Association
VCP	Vietnam Communist Party
VER	Voluntary Export Restraints
VGCL	Vietnam General Confederation of Labour
VITAS	Vietnam Textile and Apparel Association
VN	Vietnam News
VND	Vietnamese Dong
WST	World-Systems Theory
WTO	World Trade Organization

CHAPTER 1

Introduction

1.1 Setting the stage

On a Thursday morning in August 2011, the collapse of a seamstress at M&V International, one of Cambodia's largest garment factories, sparked an outbreak of faintings that hospitalized 198 – mostly female – workers. Making knitwear for one of the world's largest fashion retailers, H&M, workers at the Chinese-owned facility, 91 kilometres north of Phnom Penh, complained about headaches, dizziness and breath shortness. The incident, the second at M&V that week and exactly a year after another fainting had brought 50 of the factory's workers to their knees and provoked miscarriages of two pregnant women, was a forewarning (CD 25 Aug 2010, 24 Aug 2011). Between 2011 and 2017, according to official – and most likely conservative – records, mass faintings affected more than 150 factories and 10,000 workers, resulting in the death of at least four (NSSF 2018). While factory owners tended to dismiss the phenomenon as "mass hysteria", a joint study by Cambodian and British NGOs pointed to its root cause: With non-liveable wages and a daily food consumption that met only half the recommended calorie intake of industrial workers, many garment workers were chronically malnourished, anaemic and underweight, "constantly weak and prone to collapse" (CLEC and Labour Behind the Label 2013, 2). When the spate of faintings hit the news in 2011, the five adjustments of the garment sector minimum wage since its introduction in 1997 had been more than swallowed by inflation, leaving its purchasing power 20% lower than at the outset. As result, it met just a third of the amount needed to ensure a decent standard of living for workers and their families and even failed to bring a single worker above the government's own poverty line for Phnom Penh[1].

The garment industry – as illustrated by this snapshot from Cambodia – is notorious for its poverty wages, abusive working conditions and pervasive labour rights violations. In most, if not all, of today's major garment-producing countries, minimum wages fall severely short of living wage levels; and payment below the legal minimum is commonplace (CCC 2014; ILO 2016c). From the collapse of Rana Plaza in Bangladesh to forced labour of young girls in India to unpaid overtime work in Ethiopia, the working and living conditions of the world's tens of millions of garment workers continue to make headlines (Guardian 27 Apr 2013; Just-style.com 26 Jan 2018; Reuters 16 Apr 2019).

That most of the t-shirts, shoes, televisions and mobile phones consumed in the global North are produced by workers in the South – the vast majority young women – is a relatively recent

[1] Calculated based on an adjustment of the government's 2009 poverty line (MOP 2013), according to CPI inflation (World Bank 2019)

phenomenon. Despite antecedents, it was the profitability crisis of the 1970s that made the search for cheap labour in the "periphery" a systemic feature of capitalism in the "core" (Jaffee 2019, 8–9). The resolution to the crisis not only unravelled the post-war Keynesian compromise and ushered in a more flexible accumulation regime (Harvey 1989, 141). It also produced what Toye (1987) coined a "neoliberal counterrevolution" in development thinking and policy. Burdened by two oil shocks and the 1980s debt crisis – and frequently arm-twisted by the IMF and the World Bank, demanding obedience to their "Washington Consensus" policies in return of much-needed loans – developing countries *en masse* abandoned their past industrialization strategies in favour of export-oriented models (Kiely 1998, 93–110; Simon 2013). Coupled with the crumbling of the Eastern Bloc and the opening of China and India, the "effective global labour supply", as observed by the IMF, "quadrupled between 1980 and 2005" (IMF 2007, 162). Amid such sweeping expansion of the global pool of low-wage labour, and Northern capitalists eager for "spatial fixes", the outcome was a mass-relocation of labour-intensive production to the global South, especially Asia, drawn into complex networks of offshoring and outsourcing relationships

A few figures illustrate the magnitude of this global shift. From 1970 to 2010, the South's share in global manufacturing exports jumped from 5% to 40%; the share of manufactures in the South's exports soared from 20% to 70%; and the share of the South in the North's manufacturing imports mushroomed, in the US, for instance, from 10% to almost 60% (Smith 2016, 53). The result was a reversal of colonial trade patterns that made some scholars take note of a "new international division of labour" (Fröbel et al. 1980). In garment manufacturing, the pioneer of globalized production, the geographical distribution of jobs turned upside down. From accounting for less than 15% of all (formal) garment sector jobs in the mid-1960s, the share of the South had, by 2010, reached 90%, the vast majority residing in Asia[2]. Notwithstanding the shift in production, garment *consumption* remains centred on the North. Despite the recent catch-up of some developing countries, the three largest import markets in 2017 – the EU, US and Japan – still accounted for two-thirds of worldwide garment imports (WTO 2018, 144). UNCTAD suggests that, today, global supply chains account for 80% of world trade (UNCTAD 2013, 135), while the ILO estimates that they provide a fifth of all jobs (ILO 2015b, 132).

To make sense of this deep transformation of the world's productive structures, scholars have developed concepts such as 'global commodity chains' (GCC), 'global value chains' (GVC) and 'global production networks' (GPN) (Gereffi and Korzeniewicz 1994; Henderson et al. 2002; Gereffi et al. 2005). The distinctiveness of these approaches lies in making the interlinked production processes involved in bringing about particular commodities, organized in geographically dispersed but functionally integrated chains or networks as units of analysis. While early research in the tradition was mainly concerned with *economic* development – how firms in developing countries could link up to GVCs and pursue upgrading within them – the research agenda was during

[2] Estimates based on UNIDO INDSTAT2 (UNIDO 2019).

the 2000s increasingly criticized for its failure to incorporate the millions of workers toiling in those chains; and recurrent calls were made to "bring the social context back in" (Palpacuer 2008) and move "beyond firm-centrism" (Selwyn 2012a, 205). The main response by leading GVC scholars was to carve out *social upgrading* as a distinct process (Barrientos, Gereffi, et al. 2011). In contrast to economic (or industrial) upgrading, consisting of "a move to higher value added activities in production", social upgrading refers to the "process of improvement in the rights and entitlements of workers as social actors, which enhances the quality of their employment" (2011, 324).

However, the scholarly understanding of the mechanisms of social upgrading, and of their interrelations to economic upgrading, remains rather weak (Newsome et al. 2015; Bernhardt and Pollak 2016, 1224). Summing up the state of the art, Milberg and Winkler (2013) stress that "[n]either of the well-developed empirical literatures on economic upgrading – that is, neither the vast array of econometric and accounting work on the causes of economic growth, nor the value chain case study research on industrial upgrading – have clearly identified, much less theorized, the connection between economic and social upgrading" (2013, 256). Accordingly, they point out, "there is a great need for an improved understanding of the connection". It is the aim of the thesis to contribute to narrowing this knowledge gap.

1.2 Studying labour in GVCs: Literature review and research question

While the originators of the concept, Hopkins and Wallerstein (1977, 1986), defined a "commodity chain" as "a network of labor and production processes whose end result is a finished commodity" (1986, 159), the global commodity chains (GCC) agenda launched by Gereffi and Korzeniewicz (1994) came to focus somewhat narrowly on inter-firm relations, increasingly marginalizing labour and wider distributional issues (Bair 2005, 164). Hence, while World-Systems Theory saw commodity chains as mechanisms of stratification, reproducing a hierarchical world-economy, the analytical focus of GCC shifted to how firms in the global South can benefit from participating in GCCs. During the 2000s, the agenda – now preferring the term, global *value* chains – became increasingly policy-oriented and problem-solving; and the analysis was adopted by a number of international organizations and donors (Bair 2005, 160; Neilson 2014; Selwyn 2019, 75). Early GCC/GVC studies, thus, were mainly preoccupied with how producers in developing countries could connect to and upgrade within chains, while the impact on, and active role of, workers was rarely investigated (Knorringa and Pegler 2006, 472). Implicit in the approach was the assumption – not unlike the trickle-down postulates of neoclassical economics – that chain participation would automatically benefit workers in the form of better wages and working conditions (Werner et al. 2014, 1224).

Scholars who did look beyond the firm, however, concluded that this was a dubious assumption. Bair and Gereffi (2001) found that the integration of the Torreon blue jeans cluster in

Mexico into US production networks had mixed outcomes for local firms and workers; Barrientos and Kritzinger (2004) concluded that the dynamics of South African fruit value chains contributed to the informalization of jobs; and Nadvi and Thoburn (2004) observed how the insertion of Vietnamese textile and garment firms into GVCs had created both winners and losers among different sections of the workforce. Other studies found that the power asymmetries of GVCs created insecure form of employment in African horticultural chains (Dolan 2004), "perpetuate[d] extreme levels of precarity and vulnerability" for Brazilian cattle workers (Phillips and Sakamoto 2012) and fed the expansion of an irregular, lower-paid workforce in the Moroccan garment industry (Rossi 2013). This growing pool of evidence led to "widespread criticism of the idea that participation in GVCs leads to [...] upgrading for workers" (Newsome et al. 2015, 2).

As noted above, the countermove by leadings GVC scholars was to separate out *social* upgrading as a distinct analytical process (Barrientos, Gereffi, et al. 2011). Drawing inspiration from Polanyi's (1944) notion of the "double movement", this mainstream conception of social upgrading interprets globalization as a new "great transformation", whose unleashing of market forces provokes a broad-based "counter-movement" from society, seeking to "re-embed" markets through protective institution. Resonating well with the dominant development discourses of the early 2000s, social upgrading is, essentially, seen as a product of "good governance" through best-practice labour market institutions and "effective policies and stakeholder strategies" (Barrientos, Mayer, et al. 2011, 306, 314). This perspective, hence, puts faith in voluntary, co-operative mechanisms, such as private social standards or multi-stakeholder initiatives, to deliver decent work in GVCs. As Bair and Werner (2015) point out, the application of this revised upgrading/downgrading scheme can be considered one of the current frontiers of the research field (2015, 124).

Some scholars have argued that the emerging consensus around a Polanyian understanding of social upgrading is problematic for a number of reasons (Selwyn 2013; Selwyn and Miyamura 2014). Selwyn (2013) criticizes it on three grounds: (1) its elitist, "win-win" conception of social change, assuming lead firms, states, unions and international organizations to coalesce around common interests in combating indecent work; (2) its failure to see that under capitalism, the social relations of production render such cross-class alliances unviable; and (3) its misspecification of the causes of indecent work and, consequently, unrealistic and ineffective policy proposals. In short, the mainstream conception of social upgrading is chastised for its *vague conceptualization of labour* and, resulting, inadequate comprehension of the mechanisms and processes underlying social up- and downgrading.

Largely in parallel to the critiques of the GVC framework and the development of the concepts of economic and social upgrading, another strand of research, resulting from a dialogue between economic geographers and labour geographers, sought to reinvigorate the *agency* of workers in the study of globalized production (Herod 1997, 1998, 2001; Castree et al. 2004). Formed in reaction to the capital-centrism of both neoclassical and Marxist economic geography of the 1970s and 1980s, which tended to reduce labour to a mere cost influencing the locational decisions by multinational corporations, the field of labour geography, launched by Herod (1997), sought to theorize "workers as active makers of the geography of capitalism" (1997, 2). As chain/network studies were criticized for their labour blindness, economic geographers recognized the need "to link work on GPNs more explicitly with work within 'labour geographies'" (Coe et al. 2008). Observing that the "literature on GPNs has run alongside, but separate from, a developing field of labour geography", Cumbers (2008) sought "bring labour 'back in' to the debate about GPNs" (2008). Echoing this call, Rainnie et al. (2011), Coe and Jordhus-Lier (2011), Coe (2013), Carswell and De Neve (2013), McGrath-Champ et al. (2015), Cumbers (2015) and others have all argued for the centrality of labour agency. Nevertheless, the stream of work considering workers as active agents rather than passive objects still represents the minority.

As clear from this brief review, while it was not an unfair charge only a few years ago, it would be wrong to maintain that labour is still neglected in the study of global value chains and production networks (Coe 2015, 171). Yet, despite the recent surge in the theoretical and empirical literature, several authors point out that the "labour deficit" still signifies gap (Azmeh 2014, 497). Newsome et al. (2015) reiterate that "the greatest weakness of the GVC remains its relative neglect of labour, both as a source of value or even as an object of chain dynamics" (2015, 8); and Niforou (2015) argues that there is "abundant room" for further research into labour agency in global value chains (2015, 309).

This thesis seeks to improve knowledge on the mechanisms of social and economic upgrading in global value chains. Adopting a theoretical framework rooted in Marxist political economy, and taking perhaps *the* paradigmatic global commodity – garments – as a point of departure, the thesis aims to address the following research question: *What role do evolving capital-labour relations play in processes of social and economic upgrading in global garment value chains?* This question is answered through a detailed case study of Cambodian garment workers' struggles for social upgrading, from the mid-1990s to the present, with a secondary comparison with the garment industry in Vietnam. The next section shortly introduces the theoretical framework and research design of the thesis.

1.3 Theories, methods and data

To address the vague conceptualization of labour, and insufficient comprehension of the mechanisms of social up- and downgrading, the thesis follows the advice of Cumbers et al. (2008), Rainnie et al. (2011) and Selwyn (2012a), among others, in reworking the GVC perspective along Marxist lines. Most directly, it draws on Selwyn's (2013) critique of the mainstream conception of social upgrading and proposal of an alternative rooted in Marxist political economy. Perceiving capitalism as by the dual relations of exploitation and competition, such perspective places antagonistic class relations, rooted in sphere of production, at the heart of capitalist development. Rather than viewing social upgrading as an automatic by-product of economic upgrading, nor as result of cross-class governance initiatives, it understands processes of social upgrading in relation to "workers' attempts to ameliorate their conditions", and the "strategies of organized and unorganized labour and of capital in its many forms, in their respective attempts to enhance their positions within the accumulation process" (Selwyn 2013). Such class dynamics, moreover, are understood to fundamentally condition economic trajectories of capitalist development.

In unpacking workers' bargaining power, a common starting point is the distinction between structural and associational power (Wright 2000; Silver 2003). Structural power arises from workers' position in the economic system and consists in the capacity to extract concessions from employers by disrupting capital accumulation, while associational power results "from the formation of collective organization of workers" (Wright 2000). As argued by Selwyn (2013), these concepts provide a useful starting point, as it may be hypothesized that "workers' ability to transform their structural power into associational power in order to extract concessions from capital constitutes a core determinant between economic and social upgrading" (Selwyn, 2013: 83). Structural power can be subdivided into marketplace and workplace bargaining power, the former depending on the labour market situation, the latter on the strategic location of workers in the production process (Silver 2003, 13). In addition, the thesis adds a third form of structural power, here called "regime-disruptive power", which stems from the capacity to cause disruption to, and on that basis extract concessions from, political elites interested in regime-survival.

A defining feature, which sets production in GVCs apart from domestically-oriented production, is the extent to which local-level class relations are co-determined by global forces. Inspired by Lund-Thomsen and Coe (2015) and Nathan et al. (2016), among others, the thesis therefore conceptualizes capitalist development in GVCs at the intersection of a "horizontal" axis, representing capital-labour-state relations *within* particular nodes, and a "vertical" axis, representing GVC dynamics, most importantly governance and value distribution. Based on a globalist conception of class, these "vertical forces" are themselves re-interpreted in class-relational terms, as expressing dynamically evolving capital-labour relations across the globe, including – most centrally – those prevailing in the political economies of the major consumer markets, "driving" the chains.

This Marxist reframing conceives labour as co-constituent of GVCs and gets a long way in overcoming the network essentialism of much work in the tradition, reinserting global value chains into the larger social formations, in which they "touch down". Yet, the thesis argues that further leverage may be gained by explicitly theorizing the conditions of "peripherality" common to producer countries in garment GVCs. Through a reengagement with some of the schools of thought that have most ambitiously probed into the peculiarities of "peripheral" capitalism – classical development economics, Latin American structuralism and dependency theory – the thesis specifies how "internal" and "external" aspects of peripherality co-determine class relations.

Internally, peripherality is associated with particular structural features, including the coexistence of nascent capitalist pockets and pre-capitalist subsistence economies with vast amounts of "surplus labour". Lewis (1954) argued that these characteristics render the neoclassical theory of productivity-determined wages irrelevant. As long as surplus labour exists, he contended, emerging capitalist sectors can expand without upwards pressure on wages. Latin American structuralists made similar observations, while Marx discussed how the formation of a "relative surplus population" weighs down on the "active army of workers". These insights are crucial, as they capture the ways in which the structural features of peripheral capitalism tend to undermine the marketplace bargaining power of workers, representing a deep-seated mechanism of wage repression that invalidates any notion of "automatic links" between economic and social upgrading.

Externally, it is argued that peripherality asserts itself as the tendency to siphon off value in trade relations with lead firms. A key insight of the Prebisch-Singer thesis, probably the longest-standing contribution of Latin American structuralism, was that industrial development in the "periphery" in the early 20th century was inhibited by deteriorating terms of trade of primary commodities against manufactures. Due to their labour reserves and weak trade unions, peripheral producers, they argued, tend to trade away productivity gains via declining export prices. This understanding of *unequal exchange*, embraced by the dependency tradition, is crucial, as it brings attention to the ways in which the challenge facing peripheral producers consists not simply in generating, but in *retaining*, value. Although the GVC framework, via World-Systems Theory, is distantly related to both structuralism and dependency theory (Bair 2005, 160), it has, arguably, lost sight of the possibility that GVCs – depending on their particular dynamics of governance and distribution – may serve as mechanisms of surplus extraction.

These internal and external aspects of peripherality are interrelated in ways that are aptly captured by the Brazilian economist Marini (1973). Marini argued that the mechanisms observed by Prebisch-Singer induced peripheral capitalists to super-exploit workers, pushing wages below reproduction costs, extending working days or intensifying work beyond the point of exhaustion – which is made possible due to scale of "relative surplus populations" in the periphery. The concept of super-exploitation, which has gained recent popularity (e.g. Smith 2016; Selwyn 2019), is particularly relevant here, as it encapsulates the nexus between value distribution in GVCs, structural features of peripheral economies and capital-labour relations in production. In short, hence, the theoretical apparatus adopted in the thesis locates capitalist development in GVCs, including processes of social and economic upgrading, at the intersection of a "horizontal" axis (local capital-labour-state relations) and a "vertical" axis (governance and distributional dynamics of GVCs), with particular attention to the ways in which the triple phenomena of surplus labour, unequal exchange and super-exploitation shape class relations in garment-exporting countries.

Equipped with this theoretical apparatus, the thesis adopts a research design in three steps. As a core assumption of the theoretical framework is that processes of social and economic upgrading in garment-producing countries are fundamentally shaped by GVC dynamics, the first step consist in mapping the key tendencies of the evolving garment GVC. Focusing on the "vertical axis", this part examines how the governance and distributional dynamics of the garment GVC had evolved over time, reflecting changing class dynamics in the global North, and how these processes have altered the parameters for producer countries in the South.

Informed by this understanding of the contemporary garment GVC, the second step consists in an in-depth case study of the garment industry in Cambodia. This setting, which inspired the opening scene of this introductory chapter, is relevant for two reasons. Firstly, it can be seen as a "crucial" case from the mainstream perspective on social upgrading. Having one of the most progressive legal frameworks in the region, a unique social clause in its trade agreement with the US (1999-2004), and the world's most comprehensive monitoring programme, the Cambodian garment industry has – quite unfittingly – been praised as a "best practice alternative" to improving labour standards in the global South (Wells 2007) and "an unusual success creating and sustaining a labour rights regime" (DiCaprio 2013). As such, it offers fertile ground for challenging governance-based approaches on home ground. Secondly, the social trajectory of the industry begs questions. After a decade and a half of falling real wages, Cambodian garment workers saw their minimum wage double in just three years, for the first time bringing its real value substantially above its 1997-level. With subsequent wage hikes, minimum incomes edged towards a living wage, from representing a third in 2012 to three-fourths in 2018. Meanwhile, the labour rights situation deteriorated to such grave extent that Cambodia in 2018, for the second time in three years, made it into ITUC's top 10 of the "world's worst countries for workers" (ITUC 2016, 2018). What accounts for these contradictory processes of social up- and downgrading? The analytical nucleus of the thesis consists in an in-depth case study of the Cambodian garment industry, dissecting its social and economic trajectories from a class-relational perspective.

To bring the findings from Cambodia into perspective, the third and final step is a comparative analysis i with the garment industry in neighbouring Vietnam. This case is interesting, because it shares a similar social trajectory, with an initial phase of downgrading giving way to a phase of sustained upgrading, while other relevant variables differ: industries differ by ownership structure, the political economies of the two countries are decidedly different, and Vietnam's legal-institutional framework is often regarded as among the most repressive in the region. In combination, hence, the cases may be viewed as "most different systems", raising questions as to what similar mechanisms account for similar outcomes in otherwise different cases.

The thesis draws on an array of data and evidence. The investigation of key tendencies of the contemporary garment GVC combines existing research with statistics on the largest consumer markets and analyses of import data from United States International Trade Commission (USITC 2019) and ComExt (Eurostat 2019), as well as UNIDO's Industrial Statistics Database, INDSTAT (UNIDO 2019). The case studies, in turn, draw in equal parts on fieldwork and secondary sources. During three short but intense fieldtrips, interviews were conducted with key stakeholders, including garment factory managers, employers' associations, trade unions and workers, national and international civil-society organizations working with labour issues, ministry officials and other experts. In total, 60 interviews were completed in Cambodia, the primary case, and 20 in

Vietnam, the comparator case. Fieldwork data is supplemented by a host of secondary sources, including legal and policy documents, civil society reports, data collected from government statistical offices and international organizations and the extensive coverage of garment sector strikes, wage negotiations and wider industry issues in national media.

1.4 Main findings and contributions

In one sentence, the thesis finds that the social and economic trajectories of the garment industries of Cambodia and Vietnam were formed in a complex interplay of GVC dynamics and local capital-labour-state relations, under particular influence the conceptual trio of surplus labour, unequal exchange and super-exploitation. Within this overarching argument, the findings can be grouped into four clusters.

First off, class relations in garment production are found to be heavily influenced by a "supplier squeeze" in the 21st century garment GVC, with implications for both social and economic development. In particular, it is argued that a series of interrelated changes in the North and South affected the distributional dynamics of the garment GVC. In the North, growing concentration among brands and retailers, the rise of "fast fashion" and sluggish demand growth, related to the consolidation of a neoliberal regime characterized by a slowdown of economic growth, rising inequality and wage stagnation, paved the way for aggressive pricing and oligopsonistic sourcing strategies. In the South, the dispersion of productive capacities, the acceleration of South-South competition and the phase-out of the Multi-Fibre Arrangement (MFA) further intensified competitive pressures. Supported by an analysis of international trade and production data, it is shown how these trends combined to instigate a severe squeeze of suppliers, evident in a depression of prices and tightening non-price requirements. This squeeze, manifest in a decoupling of export prices and living costs, poses severe obstacles to raising value capture in line with workers' reproduction costs – and so, it is shown, producers now face the problem that even *maintaining* real wages erodes profitability. With Marini, it is argued that these conditions impose a structural profit squeeze on garment manufacturers and incentivizes super-exploitation of workers.

Next, the thesis finds that in both Cambodia and Vietnam, garment workers' collective resistance to super-exploitation, and counterstrategies by capitalists and states, were fundamental co-determinants of social trajectories. In both cases, strike waves of unprecedented scale and intensity were instrumental in triggering the above-mentioned breaks with social downgrading, bringing workers onto paths of institutionalized, if ambiguous, upgrading. In Cambodia, a decade-long wage erosion was interrupted by a period of unusual strike activity from 2012 to 2014. In the matter of three years, workers' struggles not only secured a doubling of the minimum wage; the climactic New Year strike in 2013-2014, violently repressed by the police, activated brands to pressure the government for a new wage-setting framework. More than that, it caused a general shift in the approach of the ruling party, evident in a series of concessions related to wages and social protection. Since then, as result, the real value of garment workers' minimum income has doubled, while its share as a living wage has grown to three-fourths.

The victory, however, proved Pyrrhic, as employers and the government took countermeasures that undermined workers' associational power. Under pressure from manufacturers, the government in 2016 adopted a controversial trade union law, seriously interfering in the freedom of association and right to organize. Employers, for their part, continued well-established anti-union tactics, including legal harassment, promotion of yellow unions and systematic dismissal of "trouble-makers". These tactics were effective, leaving the labour movement in an "existential" crisis. Social upgrading in the Cambodian garment industry, it is found, was a contradictory process: workers won substantial material concessions, but at the expense of severe restrictions in their "enabling" rights. It was the severity of this backlash that earned the country a position on ITUC's list of "the ten worst places for workers".

In Vietnam, the social trajectory, similar despite institutional differences, had the same causal driver: workers' collective action. In late-December 2005, workers making garments and other export goods reacted to a minimum wage freeze that, in place since 1997, had swallowed a quarter of their purchasing power. Over the next six years, an extraordinary wave of wildcat strikes, involving more than 3,000 separate work stoppages, forced the government to repeatedly hike the minimum wage and introduce a new wage-setting framework. While gains were partly eroded by the rising living costs that fuelled strikes in the first place, subsequent adjustments and lower inflation rates produced substantial real wage increases. By 2018, the minimum wage represented more than 60% of a living wage, up from a third before the strike wave. According to some sources, the minimum wage now meets more than 90% of workers' minimum living needs.

The third cluster of findings revolves around the ways in which the labour-led turning points were leveraged by shifts in workers' structural bargaining power vis-à-vis capital and the state. The thesis finds that the path-breaking strikes took place in the context of emerging labour shortages in settings hitherto characterized by vast amounts of surplus labour. At the critical junctures, a number of processes contributed to boosting workers' marketplace bargaining power. Not only did the expansion of industry, including garments, make a deep cut into the pool of surplus labour; demographic trends contributed to a contraction of the supply of (female) workers in the relevant age brackets; rising agricultural productivity lessened the push out of rural areas; and the availability of alternative jobs improved. Crucially, these trends combined with the tendency of garment factories to pay declining real wages with the result that, in the matter of a few years, the industry went from being highly sought-after to a less attractive alternative, causing a sudden reversal in marketplace bargaining power. The thesis, moreover, concludes that processes of social upgrading – in ways that escape the firm-centric eye – were deeply entwined in domestic politics. The nature of, and changes in, state-labour relations, most notably the capacity of the working class to threaten the stability of the political elite – here called regime-disruptive power – come out as decisive causal mechanisms. In Cambodia, the "critical juncture" coincided with a regime-shattering election and the subsequent convergence of pro-opposition and garment worker protests. Culminating in a deadly suppression of protests in early January 2014, these events became the "wake up call" that forced the ruling party to rethink its approach. In Vietnam, in contrast, the state – partly for ideological reasons, partly out of fear that workers' grievances would evolve into demands for political freedoms – was quick to side with the strikers. At the time of the turning point, however, it was particularly responsive, given the inexperience in dealing with capitalist industrial conflict and fears of scaring away investors ahead of the WTO accession in 2007.

Finally, the thesis shows how evolving class relations had economic implications for the garment industries in Cambodia and Vietnam. In both cases, the strike waves marked the onset of rising labour costs, acting as profit squeezes on manufacturers and pushing them to invest in economic upgrading. In Cambodia, the garment industry half-heartedly attempted to restore profitability by investing in labour-saving technology and shifting to higher-value products. Under the weight of the price squeeze, however, these initiatives were largely impotent, and the burden was passed onto workers in the form of higher production quotas and harsher work regimes. In Vietnam, wage growth was less compressed, which allowed manufacturers to plan ahead and make the needed investments in time. Here, garment manufacturers were more successful in accommodating social upgrading by raising value-capture. Especially in labour-scarce urban areas, survival has been conditional upon sustained economic upgrading, with the shift to capital-intensive production and high-quality, high value-added goods.

With these findings, the thesis makes four contributions. Firstly, it exposes the limitations of the mainstream, Polanyian conception of social upgrading. Not only does the collapse of the Cambodian "best case" reveal the fragility of imposing "labour-friendly" governance-regimes onto social formations, whose class forces work against those same institutions. The analysis reveals that the institutional "innovations" that most decisively affected garment workers – new wage-setting frameworks and amended labour laws – were initiated in response to workers' collective action. Class struggle, thus, was a fundamental driver of *both* social upgrading *and* institutional development. Awarding primacy to institutions, as the Polanyian or other institutional conceptions of social upgrading do, neglects how their formation and functioning are permeated by capital-labour conflicts and, hence, risks overlooking fundamental causes of social change. On this basis, the thesis endorses recent calls for class-relational approaches to development problems in general (Campling et al. 2016), and to social upgrading in GVCs, in particular (Selwyn 2013).

Secondly, the thesis shows the futility of firm-centrism in explaining social upgrading. While the grievances that fuelled workers' struggles originated in garment factories, the subsequent unfolding of events can only be understood in relation to wider political economies, in which firms are embedded. In both cases, successful strike waves took place against the backdrop of structural transformations of labour markets and were deeply entangled in domestic politics. That social upgrading was, in these ways, so intertwined in processes *transcending* the firm reminds of the dangers of reifying the chain, as a "slice" of a larger organism, and underscores the relevance of Bernstein's (1996) warning against losing "sight of the entities from which the 'slice' is extracted, how and where it fits into, and is shaped by, other elements of those entities" (1996, 128).

Thirdly, the thesis demonstrates how the GVC framework can gain from a dialogue with its theoretical ancestors in Latin American structuralism and dependency theory. Specifically, it is argued that these streams of thought can inform a better understanding of "peripherality", often left undertheorized in the research field. This not only brings attention to the super-exploitation of workers at the "bottom" of GVCs, spurred by unequal exchange and surplus labour; it also reveals how surplus extraction prevents producers from reaping the gains of productivity improvements and, hence, makes economic upgrading much more complicated than conventional typologies may suggest. These findings corroborate research that has linked lead firm purchasing practices to adverse outcomes for workers (Barrientos 2008; Anner et al. 2013; Anner 2019).

Finally, the thesis sheds light on the direction of causality between economic and social upgrading. While GVC studies tend to view social upgrading as a potential by-product of economic upgrading, this analysis suggests that causality may run in reverse. Especially in export-oriented industries dominated by foreign investors with little interest in host countries apart from their cheap labour reserves, manufacturers may be hesitant to invest in economic upgrading. As illustrated by both cases, the profit squeeze arising from costly concession won through workers' collective struggles may act as the catalyst that forces producers up the value chain.

1.5 Structure of the thesis

Apart from this introduction, the thesis is organized in seven substantive chapters and a conclusion. Chapter 2 lays out the theories and methods used in the thesis. Drawing in particular on the work of Selwyn (e.g. 2012, 2013 and 2016), it provides a critique of the mainstream conception of social upgrading and develops a Marxist reformulation that addresses its main weaknesses. Adding insights from development economics, Latin American structuralism and dependency theory, moreover, the chapter theorizes how internal and external aspects of "peripherality" influence class relations. The chapter ends by introducing the methodological approach adopted in the thesis and the case study methods and sources of data used. Thus informed, chapter 3 examines the evolution of the garment GVC, arguing that key developments in the global North and the global South coalesced to produce a "supplier squeeze" in the 21st century garment GVC. The chapter concludes that these conditions impose a structural profit squeeze on garment manufacturers and encourages super-exploitation. Before proceeding to the core analytical chapters, chapter 4 provides an introduction to the cases. It sets the political-economic scene for the emergence of export-oriented garment production, provides basic information on the industries and clarifies the rationale for case selection.

With these basics in place, the following three chapters – 5, 6 and 7 – deploy the class-relational perspective to investigate the processes of social and economic upgrading in the Cambodian garment industry, the thesis' primary case. Chapter 5 examines the phase of social downgrading (1996-2012); chapter 6 scrutinizes the "critical juncture" (2012-2014); and chapter 7 zooms in on the period since the turning point (2014-2018). Each chapter examines the role of workers' action in securing material gains, strategies pursued by labour and counterstrategies by capital and the state, underlying shifts in workers' structural bargaining power, as well as the economic implications of these developments Against this backdrop, chapter 8 switches to a between-case mode of analysis, comparing the findings from Cambodia with the social and economic trajectories of the garment industry in neighbouring Vietnam.

The final chapter concludes by summing up the main findings of the thesis, pulling together the threads of the arguments, and identifying potentially interesting areas for future research.

CHAPTER 2

Theories and methods

2.1 Chapter introduction

This chapter lays out the theoretical and methodological framework of the thesis. The chapter falls in six main sections. Section 2.2 introduces the core propositions of the global value chains (GVC) framework and argues that two main weaknesses – its vague conceptualization of labour and its network essentialism – inhibit it from satisfactorily comprehending processes of social and economic upgrading. Against this backdrop, section 2.2.4 develops a theoretical apparatus intended to overcome these limitations, reframing GVCs along Marxist lines, as proposed by Selwyn and others. Moreover, it is argued that a theorization of upgrading processes can gain from explicating how conditions of "peripherality" common to producer countries in GVCs co-determine class relations in production – and that relevant insights can be gained by revisiting some of the schools of thought that have most seriously grappled with the peculiarities of peripheral capitalism, including classical development economics, Latin American structuralism and dependency theory. Pulling these theoretical strands together, the section elaborates a theoretical apparatus that situates capitalist development in GVCs, including processes of social and economic upgrading, at the intersection of a "horizontal" axis (local capital-labour-state relations) and a "vertical" axis (governance and distributional dynamics of GVCs), with particular attention to the ways in which the triple phenomena of surplus labour, unequal exchange and super-exploitation shape class relations at the bottom of GVCs. Section 2.3.1 fleshes out the horizontal axis, 2.3.2 develops the vertical, while 2.3.3 summarizes the theoretical framework, encapsulating its key elements in a diagram.

Next, section 2.4 sets out the methodology and methods used in the analyses. Section 2.4.1 briefly introduces the philosophy of science underpinning the analysis, historical materialism. Section 2.4.2 sets out a three-pronged research strategy, consisting of, first, an analysis of the key tendencies of the garment GVC, second, an in-depth case study of the Cambodian garment industry and, third, a comparative analysis with the garment industry in Vietnam. Section 2.4.3 details the data and sources used in the thesis, including fieldwork interviews and secondary data.

2.2 Chain/network approaches and their weaknesses

2.2.1 GCCs, GVCs and GPNs: A brief introduction

The concept of 'global commodity chains' (GCC) was introduced in an attempt to better capture the spatial and organizational transformations of the world economy since the 1970s (Gereffi et al. 1994, 2). Coming out of World-Systems Theory (WST), the perspective adopted the chain construct – rather than the national economy – as the primary unit of analysis. A GCC can be defined as the "sets of inter-organizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world economy" (Ibid, 2).

A GCC is conceptualized as having four dimensions: A *governance structure*, which refers to the "authority and power relationships that determine how financial, material, and human resources are allocated and flow within a chain"; an *input-output structure*, i.e. a sequence of activities that transforms a certain mix of inputs into a final good; a *territoriality*; and an *institutional context* in which a specific commodity chain is situated (Bair 2005, 159).

A key tenet of the GCC framework is that powerful "lead firms" are the primary organizing agents of global capitalism (Gereffi 1994, 97). Originally, Gereffi (1994) distinguished two ideal-typical forms of governance structures, depending on where lead firms are positioned: In *buyer-driven* commodity chains, typical of light consumer goods such as clothing, furniture and toys, as well as horticulture, the main governing role is exercised by "global buyers" (commercial capital), who decide "what is produced, where, by whom, and at what cost" (Bair and Mahutga 2016). Typically, lead firms in buyer-driven GCCs specialize in intangible activities such as design, product development and marketing, while production itself is *outsourced* to webs of independent suppliers, typically located in the global South. In *producer-driven commodity chains*, in contrast, which are typically found in capital-intensive sectors, authority resides with *producers*.

While world-systems theory understood commodity chains as mechanisms of stratification, the key research focus of the GCC framework became how producers in developing countries can link "up with the most significant lead firms in the industry" and improve their position in the GVCs, paving the way for *industrial* or *economic upgrading* (Gereffi 2001, 1622; Bair, 2005, 164). In the literature, chain participation is usually seen as "offering" four types of upgrading: (1) *product upgrading*, achieved by moving into more sophisticated goods; (2) *process upgrading*, which consists in improving efficiency and productivity through organizational restructuring or introduction of superior technologies; (3) *functional upgrading*, accomplished by taking on more demanding functions; and (4) *inter-chain upgrading*, which entails moving into new productive activities (Humphrey and Schmitz 2002). Irrespective of the particular upgrading path, the goal is to "move to higher value added activities in production, to improve technology, knowledge and skills, and to increase the benefits or profits" (Barrientos, Gereffi, et al. 2011, 324). To these fourfold typology, two additional types of economic upgrading may be added: (5) *supply chain upgrading*, consisting in establishing backward and forward linkages within the value chain; and (6) *channel upgrading*, understood as the diversification or shift towards higher-value, or otherwise more beneficial, export markets (Frederick and Staritz 2011; Gereffi and Frederick 2010).

2.2.2 The vague conceptualization of labour

The failure to sufficiently incorporate labour is a well-known and widely cited criticism of the chains framework (Bair 2005; Selwyn 2013; Mcgrath-Champ et al. 2015; Newsome et al. 2015). Although the original definition of a commodity chain, as noted above, comprised both "labour and production processes" (Hopkins and Wallerstein 1986, 159), the GCC framework launched by Gereffi and Korzeniewicz (1994) came to focus rather narrowly on firm-firm relations, with labour and wider distributional issues side-lined (Bair 2005, 164). Accordingly, the key analytical focus of early GCC studies was how producers in developing countries could connect to and upgrade within chains, while the impact on, and much less the active role of, workers was rarely investigated. The assumption, although not explicated, seemed to be – in a vein not unlike the trickle-down assumptions of neoclassical economics and its marginal-productivity theory of wages – that upgrading at the firm-level would automatically benefit workers in the form of better wages and working conditions. During the 2000s the GCC/GVC research agenda was increasingly criticized on grounds of its "labour blindness" (Taylor 2007). Smith et al. (2002) remarked that "in so far as 'workers' are present in this literature, they appear as passive victims" (2002, 47), while Knorringa and Pegler (2006) complained that in chain studies "the attention was almost exclusively focused on inter-firm relationships, basically neglecting impacts on labour" (2006, 472). At the same time, the limited number of studies that *did* look beyond the firm found that value chain participation had differentiated consequences for workers (e.g. Barrientos and Kritzinger 2004; Nadvi and Thoburn 2004). In light of this evidence, recurrent calls were made to "bring the social context back in" (Palpacuer 2008) and move "beyond firm-centrism" (Selwyn 2012a).

The mainstream concept of social upgrading

The response to these charges by leading GVC scholars was to carve out *social upgrading* as a distinct analytical process (Barrientos, Gereffi, et al. 2011). In contrast to economic upgrading, consisting of "a move to higher value added activities in production", social upgrading refers to the "process of improvement in the rights and entitlements of workers as social actors, which enhances the quality of their employment" (Barrientos, Gereffi, et al. 2011, 324). Framed by the Decent Work Agenda of the ILO, the concept comprises four pillars: decent employment and income, standards and rights at work, social protection and social dialogue. As such, the notion of social upgrading is normatively anchored in the international human rights and labour rights frameworks, drawing on the right to social security and freedoms of assembly and association, among others (Barrientos, Gereffi, et al. 2011, 324).

While the "new paradigm" is certainly a step in the right direction – dismissing any notion of an automatic link – it, arguably, tends to undertheorize the *mechanisms* of social up- and downgrading. As Selwyn (2013) has observed, this weakness may be seen as stemming from the inspiration in Polanyian institutionalism in framing the concept of social upgrading. In *The Great Transformation* (1944), Polanyi investigated why the 19th century liberal order collapsed into protectionism and economic depression – and his explanation led him to the notion of the "double movement": As the push towards *laissez-faire* liberalism increasingly subjected societies to market forces, spontaneous "counter-movements" arose, in which societies sought to protect themselves against the "ravages of this satanic mill". Emerging from broad sections of society, such movements sought to re-embed markets in protective institutions – factory laws, social legislation, collective bargaining etc. (Maertens 2008; Dale 2014, 45–70). If the post-war decades of "embedded liberalism" (Ruggie 1982) can be seen as a continuation of Polanyi's countermovement, the unleashing of market forces since the late-1970s has been interpreted as a "new great transformation" requiring, and possibly producing, another "countermovement" (Munck 2002; P. Evans 2005; Webster et al. 2008).

Reflecting this renewed interest, the mainstream framing of the social upgrading concept makes explicit reference to Polanyi (Gereffi and Pickles 2006; Barrientos, Mayer, et al. 2011, 306; Mayer and Pickles 2014, 17–18). Indecent work is perceived as result of the "governance deficit" that results from "the relative dis-embedding of the market" and the space it opens for "predatory behaviour" (Mayer and Pickles 2014, 21). Resonating well with the dominant development discourses of the early 2000s, social upgrading is thus seen as a product of "good governance", which requires the adoption of best-practice labour market institutions and "effective policies and stakeholder strategies" (Berg and Kucera 2008; Barrientos, Mayer, et al. 2011, 306, 314; S. Lee and McCann 2011). As promising examples of such governance innovation, proponents of this approach cite everything from monitoring of private social standards, certification schemes and multi-stakeholder initiatives to international framework agreements and social clauses in trade agreements (Barrientos, Mayer, et al. 2011, 306–11; Mayer and Pickles 2014, 22–29).

The relevance of a Marxist alternative

However, following Selwyn (2013), it can be argued that, as a basis for understanding actual *processes* of social upgrading, the emerging consensus around a Polanyian concept is problematic. Firstly, it rests on an "elitist" conception of social change, in which decent work is to be delivered "top-down" by a cross-class alliance comprising states, firms, international organizations and civil-society organizations (2013, 76). In this respect, it presupposes a common interest in combating indecent work, in ways akin to "new institutional economics" and its view of institutions as mutually beneficial solutions to "market failures". This optimism, Selwyn notes, reflects a second weakness, namely the failure to identify the *exploitation of labour by capital* as the necessary social relation underpinning capitalist markets (2013, 82). Locating the causes of indecent work in "dis-embedded markets", Polanyian institutionalism neglects that under capitalism, this process is itself bound up in the imperative of capital to extract surplus value from labour in *production* – a social relation that gives rise to fundamental conflicts of interest, which render top-down, cross-class solutions unlikely. The neglect of class relations, in turn, generates a third – and for our purposes, the most severe – problem: The mainstream conception of social upgrading is, largely, incapable of comprehending the underlying causes of indecent work, and the "mechanisms and processes contributing to its amelioration" (Miyamura 2012, 97; Selwyn 2013, 80). In the words of Burawoy, Polanyian institutionalism suffers from a "nebulous and under-theorized notion of society", which is expected – in ways that remain underspecified – to "summon up its own defence in the face of a market onslaught" (Burawoy 2010, 301; Selwyn and Miyamura 2014, 653).

Arguably, the relative silence on the mechanisms of up- and downgrading in the mainstream understanding of social upgrading – as well as the general difficulty in satisfactorily incorporating labour into the wider GVC framework – may be seen as stemming from the reliance on *market-based conceptions of capitalism* (Selwyn 2012a, 2013; Selwyn and Miyamura 2014). A long-standing Marxist critique of world-systems theory is its subscription to the so-called "neo-Smithian" commercialization thesis, which equates capitalism with production for profit in the market (Brenner 1977, 31; Selwyn 2012a, 6). For Polanyi, likewise, a "market economy" (his preferred term for "capitalism") is defined as an "economic system controlled, regulated and directed by markets alone" (Polanyi 1944). From a Marxist viewpoint, both of these perspectives are problematic, as they neglect the class relations underpinning capitalist production and exchange.

Against this backdrop, therefore, Selwyn and others have proposed a "re-formulated research agenda" based on a *property-relations* based understanding of capitalism as a system resting on the *exploitation* of working classes by capitalist classes; an endeavour, which is part of a wider call for a class-relational turn in development studies (Campling et al. 2016; Selwyn 2016). Such perspective calls attention to class-based struggles over the conditions of capital accumulation, including the efforts by working classes to improve their situation through collective action, and the attempts by capital and states to prevent them from, or accommodate them in, doing so. Other scholars in the field, in particular from labour geography, have made similar arguments. Drawing on writers from Autonomous Marxism – in particular Cleaver (2000) – Cumbers et al. (2008) stress that labour "remains a fundamental component of GPNs", both in *abstract* form, as the ultimate source of value, and in the form of *concrete* "attempts by workers to organize collectively to improve their share of surplus value" (2008, 369)[3]. Rainnie et al. (2011) concur, arguing that, in analysing GPNs, "labour must be treated both as the ultimate source of value but also as a subjective agent in both individual and collective terms", and, "as result, the social relations of production,

[3] See also Cumbers et al. (2010) and Cumbers (2015)

class, conflict and resistance […] must be at the heart of any analysis of such networks" (Taylor 2007; 2011, 161; see also Riisgaard and Hammer 2011). Following this advice, the thesis takes Marxist political economy as a theoretical starting point for incorporating labour into the analysis of GVCs and theorizing processes of social upgrading. This approach situates the thesis in the minority-stream of GVC work that considers workers as *agents* with the capacity of shaping their material conditions (Werner and Bair 2015). Before fleshing out this theoretical framework, however, the second obstacle to satisfactorily theorizing social upgrading in GVCs needs to be addressed.

2.2.3 Network essentialism

The second weakness of the chain framework, especially as it has gradually moved away from its roots in world-systems theory, is that of *network essentialism* – that is, the tendency to analyse chains and networks in isolation, abstracting from both the structures of global capitalism and the political-economic systems in which the various nodes "touch down" (Taylor 2007, 534). Bernstein's (1996) criticism of the French *filière* approach, another theoretical perspective in the chain/network family, which according to Bernstein and Campling (2006) applies equally well to the GVC tradition, succinctly describes this weakness: "The advantages of the *filière* approach in cutting a particular 'slice' from larger economic organisms to examine under the analytical microscope, may have corresponding disadvantages if we lose sight of the entities from which the 'slice' is extracted, how and where it fits into, and is shaped by, other elements of those entities" (Bernstein 1996, 128). This neglect of the "larger economic organisms", of which GVCs are part, has three consequences relevant here.

Firstly, it results in a failure to draw the analytical implications of the fact that manufacturing nodes of buyer-driven GVCs tend to cluster in "peripheral" economies. Such economies often share particular structural features and are typically incorporated into global commodity flows in the early phases of their capitalist transformations, i.e. the transition from subsistence-based agricultural production to capitalist industrial production. This *underappreciation of "peripherality"* is critical, as key lessons from some of the schools of thought that have most ambitiously conceptualized peripheral capitalism, including classical development economics, Latin American structuralism and dependency theory, suggests that these conditions may in crucial ways interfere in the relationship between economic and social upgrading. While a Marxist reworking of the framework, perceiving capital and labour as co-constitutive of GVCs, firmly ties the operation of chains to the class dynamics of their locational "touch downs", supplementary insights on the working of capitalism in the periphery may be found in these literatures (more below).

Secondly, network essentialism has, arguably, resulted in a *superficial treatment of the state* (Smith 2015). As Smith (2015) notes, the state remains undertheorized, "despite the very significant role that state action at international, national and subnational scales plays in the formation, constitution and restructuring of the position of firms, capital and labour in global production networks" (2015, 290–91). This relative neglect is unfortunate for our present purposes. Although the state as "manager" of capital-labour relations is an indispensable factor in all processes of social upgrading, it is, arguably, all the more central in labour-intensive production in buyer-driven GVCs, where collective bargaining coverage is low and workers rarely enjoy conditions significantly above the legal minimum. In such settings, the power of labour *vis-à-vis the state itself* – not just against capital – likely emerges as an equally important determinant of social upgrading.

Thirdly – somewhat surprising, given its roots in world-systems theory – the GVC framework has become less attentive to *system-level* distributional dynamics and their implications for developmental outcomes at the local level. As noted above, in world-systems theory, the "commodity chains" construct was introduced as a tool to examine the processes that produce and reproduce global inequality and income stratification (the core-periphery structure of the world economy) (Arrighi and Drangel 1986, 11–12). The launch of the GVC framework, however, marked a shift in research focus, from the system-level view of commodity chains as *mechanisms of stratification* to a unit-level focus on commodity chains as *facilitators of development* (Bair 2005; Bair and Mahutga 2016). As result, these attempts at forging the links between unit-level and system-level analysis have largely disappeared from mainstream value chain analysis (Bair 2009, 11).

The relative neglect of the system-level is, arguably, a serious omission from mainstream value chain studies. For one thing, it renders the approach vulnerable to what different scholars have termed the "fallacy of composition" (Arrighi and Drangel 1986), the "adding up problem" (Kaplinsky 2005) or the "upgrading paradox" (Brewer 2011): that what is true for a single unit may not hold for all units considered together, as unit-level efforts may be undermined by system-level tendencies. This blindness may lead to a "developmentalist illusion" (Arrighi 1990) in the form of unrealistic conclusions and policy implications, with the result that the upgrading discourse of the GVC framework risks becoming "nothing more than the catch-up discourse of modernization theory or the convergence hypothesis of neoclassical economics" (Brewer 2011, 319). However, some of the work in the GVC tradition that has most seriously addressed system-level distributional patterns suggests that these problems in crucial ways impact on local-level developmental trajectories. Kaplinsky (2005), for instance, shows how developing country-producers are squeezed "between a rock and a hard place" in that the combination of growing productive capabilities in the global economy, the result of upgrading of *some*, and the concentration of global buyers is causing massive downward pressure on export prices, hampering the upgrading of *others* (Kaplinsky 2005, 197). These findings resonate well with insights from structuralist development economics. As the distribution of value *between* the nodes in global value chains in fundamental ways condition the class struggles taking place *within* them – an argument that will be fleshed out below – a thorough understanding of the global *dynamics of pricing and distribution* in GVCs is required for comprehending processes of social upgrading at the local level.

2.2.4 The call for a second-generation GVC framework

In light of the shortcomings of the GVC tradition, some scholars have made the case for a return of the framework to its intellectual roots in world-systems theory (Bair 2008; Brewer 2011; Fernández 2015; Selwyn 2015; Werner and Bair 2015). More than a decade ago, Bair (2005) suggested the formulation of a second-generation of value chain studies that needs to "devote more attention to the *structural properties* of contemporary capitalism" (Bair 2005, 170). Such an agenda should study the "factors external to chains that shape their geography and configuration" (Bair 2005, 167), and not least how these factors "mediate the implications of participation in commodity chains for firms and workers in the global economy" (Bair 2005, 171). Along similar lines, Brewer (2011) identified the fundamental problem of mainstream GVC as a "seemingly intractable problem of moving from individual chain analysis to the bigger picture of development at larger scales of analysis". According to him, therefore, "post-upgrading-paradox" GVC analysis needs to pay "closer attention to the movement across analytical and spatial scales" (Brewer 2011, 311). Selwyn (2015) notes that while such a perspective "does not discount the possibilities of individual cases of upgrading, it considers them in the context of the totality of firms and states within the world system as a whole" (2015, 254; Fernandez 2015, 276). These calls to re-integrate value chains into the wider political-economic terrain, onto which they are projected, informs the theoretical framework of the thesis.

2.3 A Marxist reworking: GVC-led development at the intersection of two axes

In order to ameliorate these weaknesses, the thesis adopts a Marxist reworking of the GVC framework, drawing in particular of the work of Selwyn (2012b, 2012a, 2013, 2016). In a nutshell, Marxist political economy perceives capitalism as a historically-specific mode of production based on a particular set of social relations. In essence, capitalism is defined by the existence of two distinct classes, mutually dependent on the market for their survival: A property-less *working class*, which – deprived of its access to the means of production – depends on the ability to sell its labour power for a wage to a property-owning *capitalist class*. In the production process, workers, the ultimate source of value, are *exploited*, i.e. paid less than the value they generate; and a part – the *surplus value* – is appropriated by the capitalist. The reproduction of the capitalist class, in turn, depends on the ability to realize surplus value embodied in commodities, selling them for a profit in the market. This mutual market-dependence imposes a set of systemic imperatives on the classes (Brenner 1997, 9–11; Selwyn 2012a, 210–12).

As surplus value is realized in a competitive market, in which less profitable capitals face extinction or take-over by more profitable ones, individual capitalists are under relentless pressure to maximize profits. This profit imperative, on the one hand, compels capitalists to continually cut costs and restructure production, organisationally and technologically, prompting a tendency for capital to "go beyond all proportions", "constantly revolutionizing the instruments of production" (Marx and Engels 1848; Chattopadhyay 2012, 73). On the other hand, capital is bound to extract as much surplus value as possible from labour, generating a systemic pressure on wages, working conditions and labour processes under capitalism. The dual set of constitutive relations – exploitation of labour by capital and competition between capitals – thus, not only sets in motion an endless drive of capital accumulation, productivity spurts and technological innovation, making capitalism an economic system of unprecedented dynamism; they also give rise to a fundamental antagonism between the classes (Selwyn 2012a, 210). At its core, consequently, Marxist political economy analyses capitalist development through the prism of the multitude of socio-political conflicts that mark the relationship between capital and labour; class struggles, which originate in the sphere of production, but extend far beyond the workplace. With this reorientation, labour is conceptualized as a co-constitutive component of GVCs, and processes of social upgrading are analysed as the outcome of struggles by working classes to improve their position in the accumulation process (Selwyn 2013, 87).

A defining feature, which sets production in GVCs apart from domestically-oriented production, is the extent to which local-level class relations are co-determined by global forces. Following Lund-Thomsen and Coe (2015) and Nathan et al. (2016), among others, labour in GVCs can be conceptualized at the intersection of a "horizontal" dimension (capital-labour-state relations *within* particular nodes) and a "vertical" dimension (GVC dynamics, including value distribution and lead firm strategies). That the GVC framework offers a useful starting point for probing into these global-local interactions is well described my Selwyn (2012b): "The ways in which global commodity chains are formed, structured and evolve, the power relations that they embody and, crucially, the ways in which they connect workers in one part of the globe to markets, consumers and workers in another part means that they are a real determinant of labour regime formation, and thus local-level capitalist development" (2012b, 29). Analysing capitalist development in the periphery as the *interaction* between internal and external forces also echoes the approach of some dependency writers. In his review of the tradition, Palma (1978) – building on Cardoso and Faletto (1967) – argues rather than a formal-mechanic theory of underdevelopment, as in Frank (1967), dependency should be seen as a "methodology for the analysis of concrete situations of dependency" (1978, 909). While peripheral societies are an integral part of the globalist capitalist system, one needs to move beyond universal generalizations – "it is only by understanding the specificity of movement in these societies as a dialectical unity of both, and a synthesis of, these 'internal' and 'external' factors, that one can explain the particularity of social, political and economic processes in the dependent societies" (1978, 910).

To avoid the network essentialism marring much work in the tradition, and to situate firm-firm relations firmly within the wider political-economic terrain, in which chains articulate, the GVC concept is here recast in what Selwyn (2016) calls a *methodological globalist conception of class*. Such methodological globalism brings attention to "ways in which class relations in different parts of the world co-determine each other's development", but perceives their mutual influence as necessarily *mediated* by inter-firm and inter-state relations (Selwyn 2016, 1773). Used in this way, GVCs may be seen as 'bi-directional transmitters', through which class relations in different parts of the world interact. In this way, the "vertical" dimension is itself re-interpreted in class-relational terms, as expressing dynamically evolving capital-labour relations across the globe, including – perhaps most decisively – those prevailing in the political economies of the major consumer markets, "driving" the chains. In so doing, it retains the key insights of the GVC tradition – on the crucial role played by lead firms in the emergence, configuration and functioning of value chains, on the sources of intra-chain power differentials etc. – but it places them within a larger political economy framework. In seeking to understand lead firm strategies, thus, the approach adopted here starts from the observation that "strategies of accumulation are always contingent on particular conditions – of markets, competition, technical change, and not least the trajectories and outcomes of class and other social/political struggle" (Bernstein and Campling 2006, 434).

Employing the GVC framework in this way in some respects signifies a return to its intellectual roots. As Bair (2005) observes, the insistence on "analysing social action and social change within the holistic context" of a Northern-centred world economy "is the sine qua non of the world-systems perspective" (Bair 2005, 156). This line of reasoning also resembles what van der Linden (2014) has called *global labour history* – investigating local class struggles in a global context, "placing all historical processes in a larger context, no matter how geographically 'small' those processes are" (2008, 6). The following two sections elaborate on the "horizontal" and "vertical" dimensions.

2.3.1 Horizontal axis: Class struggle and the internal aspect of "peripherality"

As argued above, Marxist political economy offers a fruitful starting point for theorizing processes of social upgrading, and their relationship to economic upgrading, in global value chains. While Marxism is a hugely complex and multi-facetted body of theory, five aspects are particularly relevant: (1) the concept of the capitalist labour process and the imperative to constantly reorganize it to pump more surplus value out of labour; (2) the view of collective, class-based action as a driver of social change; (3) the conception of the state as "manager" of capitalist development and itself a site of class conflicts; (4) the understanding of the balance of class forces as a key determinant of social development – and of the various sources of workers' bargaining power vis-à-vis capital and the state; and (5) the recognition of class conflict as an engine of capitalist development.

The labour process

According to Marx, individual capitalists are – under the impetus of competition – continuously compelled to find new ways of organizing production, disciplining workers and introducing technologies to maximize the extraction of surplus value. Marx distinguished two mechanisms of doing so. Firstly, capitalists may increase the *absolute surplus value* generated by workers, leaving production techniques and technologies unchanged. The most straightforward way of doing this is, simply, extending the length of the working day, but similar results may be achieved by intensifying work processes, making workers expend more labour power in same amount of time. This may be done by cutting away "waste" and eliminating breaks, distractions or other 'unproductive' moments that cause inefficiencies for the capitalist; or it may be achieved by adding additional pressure on the workforce to speed up production, perform multiple tasks etc. While the expansion of absolute surplus value consists in making labour work longer, harder and faster, the production of *relative surplus value* entails a re-division of a given amount of labour in favour of surplus value (Fine and Saad-Filho 2016, 36–40). Principally, this is achieved by improving the productivity of labour in the sectors producing wage goods, allowing capitalists to pay lower wages without reducing the living standard of workers. If this mechanism requires concerted action, capitalists also has an *individual* interest in persistently boosting productivity through organizational and technological changes. As surplus value is generated in production, but *distributed* as profits in exchange, producing cheaper than the "social average", allows capitalists to *capture* a larger part of the total surplus value, thus earning extra profits (Harvey 2006, 31),

As, irrespective of what mechanism of surplus extraction predominates, the extraction of surplus value depends on the ability to command the workforce, capitalists are at great pains to ensure sufficient control over the labour process. At the heart of the problem lies the "indeterminacy of labour"; the fact that what capitalists buy is a *capacity* to work – a potential, which, if to be of any use, must be transformed into actual, surplus-producing work (Spencer 2014; Campling et al. 2016, 1750). To achieve this, capitalists rely on a mix of managerial strategies of coercion and consent. On the one hand, discipline may be imposed through punishment, threats or verbal harassment and the installation of hierarchical workplace relations; on the other hand, workers may be motivated through incentive payments, bonus schemes or other rewards (Fine and Saad-Filho 2016, 37–38). In this way, production is seen as an inherently "conflictual process in which work is directed and controlled by the capitalist to ensure that the capacity to labour is realised" (Campling et al. 2016, 1747).

Collective labour agency as driver of social upgrading

However, the persistent drive of capital to intensify exploitation rarely go unchecked, as workers who are forced to work too hard, long or fast tend to resist. Such resistance may be motivated by a range of grievances and expressed in multiple ways. The *strike*, i.e. the collective withdrawal of labour power, is the weapon most commonly used by working classes to wrest concessions from capital, but historically, a wide repertoire of collective action has been employed, including occupations, sabotage, absenteeism or deliberate inefficiency; any action, which may block or slow down the accumulation process, adding pressure on employers to meet workers' demands (van der Linden 2008, 173–208). Capitalists, in turn, may address such action through a range of tactics and strategies, ranging from accommodation to co-optation or outright repression.

In the theoretical framework adopted here, thus, classes are seen as possessing *agency* – the capacity to actively shape their material conditions, altering historical processes and trajectories (Campling et al. 2016, 1748). Such reading of Marxism is far from uncontested, as heated debates on the balance between structure and agency, theory and history, have for many years divided the tradition. At one extreme, Althusser's structural Marxism espoused an anti-human conception of history as "a process without a subject", reducing human agents to mere "supports" of social structures (Callinicos 2004, xvii). Against such determinist versions, a group of British historians, including Hobsbawm and Thompson, in the decades after WWII, promoted a version of Marxism based on the study of "history from below" (Hobsbawm 1962, 1975, 1987; Thompson 1963, 1978; Callinicos 2004, 80). Especially Thompson's thought, in turn, played a key role in the formation of "political Marxism", associated with Brenner and Wood, which sought to re-historicize and re-politicize the study of capitalism through an agency-oriented form of analysis (Comninel 2012). While some authors have dismissed such reading as voluntarist (Callinicos 1990), the argument that the social relations of capitalism exert "gravitational tendencies" (Campling et al. 2016, 1748) on agents to act in certain ways suggests a dialectic relationship between agency and structure. The point, simply, is that historical outcomes can never be reduced to the "laws of motion" of capitalism or other abstract models of idealised behaviour, but must be understood as results of historically-specific social conflicts (Teschke and Lacher 2007, 570).

Such approach, bringing concrete and historically-specific class struggles to the analytical forefront, while recognizing the pressure exerted by the "systemic imperatives" of capitalism, informs the theoretical framework adopted here. Hence, in contrast to the majority-stream of GVC studies that treat workers as "objects" or "passive victims" of globalisation, the anchoring in Marxist political economy leads the thesis to conceptualize labour "as an organic and co-determining actor in the capitalist development process" (Selwyn 2012b, 18).

The state as "manager" of capitalist development

While in Marxist scholarship, the antagonism between the working class and the capitalist class is rooted in production, it is seen as extending far beyond the workplace. Not only may opposing classes establish collective organizations (employers' associations and trade unions) and seek political influence to fix the institutional-regulatory arrangements governing the accumulation process – laws concerning investment, tax and trade, employment contracts, social protection, health and safety etc. – to their advantage. Additionally, conflicts originating in the workplace may spill over to affect entire societies, necessitating political solutions. Both of these points draw attention to the ways in which capitalism depends on a political authority to establish and maintain the conditions necessary for continued capital accumulation – a task, which has traditionally resided with the state (Wood 1995, 5). Nonetheless, as stressed above, much work in the GVC tradition suffers from an under-theorized understanding of the state.

If the traditional Marxist conception of the state is often (rightly) dismissed as instrumentalist-reductionist – as a unitary actor operating exclusively on behalf of capitalist interests, a mere "executive committee of the ruling class", as Marx and Engels characterized it in the Communist Manifesto (1848) – more recent scholarship has re-discovered a more complex and open-ended state concept in Marx' less propagandistic writings. According to Poulantzas (1978), Marx viewed the state, much like capital, as a complex social relation, "a relationship of forces, or more precisely the material condensation of such relations among classes and class fractions" (1978, 128–29). This means, on the one hand, that the state as an institutional ensemble contains inherent biases, privileging certain agents and interests over others, and, on the other hand, that the state apparatus itself may be understood as a product of class struggles, past and present (Jessop 2014, 428).

Based on this understanding, the state itself is "politicized", opened up as a major site of social conflicts, in which classes and class fractions seek to promote their interests. For this reason, while the state apparatus is clearly shaped by prevailing class relations, it can never, simply, be reduced to the logic of capital, but may take on a relative autonomy of its own, pursuing its own political logics and agendas. States may rather be perceived as "managers" of capitalist development, "guiding" capital-labour relations through a combination of domination and accommodation, in which they must not only facilitate capital accumulation, but also ensure social stability and pursue their own objectives (Selwyn 2012a, 217–18). Drawing on the work of Jessop (1982, 1990, 2007), Smith (2015), as does Selwyn (2012), argue that such a *strategic-relational* conceptualization of the state provides the "missing link in existing approaches to the state and GPNs" (2015, 298).

Unpacking working class power: Associational and structural power – and beyond

With the acceptance of a property-relations-based definition of capitalism, the *balance of class forces*, i.e. the bargaining power of the working class vis-à-vis the capitalist class (and its institutionalization), enters as a major determinant of social upgrading. In unpacking workers' bargaining power, a starting point commonly referred to in studies on labour in GVCs is Wright's (2000) distinction between *structural* and *associational power* (Wright 2000; Silver 2003). While the former is seen as arising from workers' position in the economic system, the latter consists of the "various forms of power that result from the formation of collective organization of workers" (Wright 2000, 962). Wright further subdivides structural power into workers' *marketplace bargaining power*, rooted in the labour market situation (the possession of scarce skills in demand by employers, low levels of unemployment, alternative employment options etc.) and *workplace bargaining power*, which derives from the "strategic location of a particular group of workers" (2000, 962). These distinctions provide a useful starting point for theorizing social upgrading in GVCs, as both aspects of power are in important ways shaped by the integration into global value chains. In particular, the concepts form the basis of the hypothesis that "workers' ability to transform their structural power into associational power in order to extract concessions from capital constitutes a core determinant between economic and social upgrading" (Selwyn 2013, 83).

The conceptual groundwork laid by Wright and Silver has, over the years, been complemented by a growing literature on the "power resources" that working classes and their organizations can mobilize in defending and furthering their interests. In this literature, known as the "power resources approach", additional forms of power, intended as heuristics for analysing prevailing power balances, have been introduced: "discursive power" (Chun 2009), "logistical power" (Webster et al. 2008), "institutional power" and "societal power" (see Schmalz et al. 2018 for a useful review). However, the existing typologies, arguably, miss an important source of power – the workers' bargaining power vis-à-vis the state. As Coe (2013) correctly points out, "labour agency needs to be re-embedded in state formations as much as it does in the global structures of capital" (Coe 2013, 274). Yet, although the ability to disrupt the state as an additional source of power is hinted at in Perrone's (1984) original concept of "positional power", which appears to have inspired Wright's distinction, it is, arguably, not captured by the division of structural power into marketplace and workplace bargaining power. According to Perrone, positional power "can be considered an indicator of the 'political multiplier' implicit in any strike action. The effect of a strike move from the economic to the political […] when the threat to suspend work ceases to be simply a more or less local threat to profits and becomes a general threat to the so-called 'social order' or 'system'" (1984: 420). Thus, a third form a structural power, which – as will be demonstrated later – appears decisive in the two cases, especially in Cambodia, can be called *regime-disruptive power*: the ability to cause disruption to, and on that basis extract concessions from, political elites interested in regime-survival.

Class conflict as engine of economic development

The final relevant insight from Marxism to be considered here concerns the "feedback loop" from social upgrading to economic upgrading. While innovation under capitalism is obviously driven by inter-capitalist competition and the search for higher-than-normal profits, as understood by mainstream GVC, a reorientation of the framework along Marxist lines brings attention to a complementary, and often overlooked, engine of economic development: Class conflict (Selwyn 2015, 259). In particular, as Silver (2003) recognizes, periods of particularly intense class struggle may "provoke capitalists/states to implement innovations", paving the way for technological and organizational restructuring (2003, 34). Although the Marxist tradition perceives capitalism as an inherently contradictory and unstable system – a crisis-proneness, which has been explained with reference to its tendencies towards, respectively, "underconsumption", "overproduction" and falling profit rates (see Clarke 2012 for an overview) – of particular interest here is what Weisskopf (1979) calls the "rising strength of labour thesis": that systemically growing power of the working class, resulting in deep and costly concessions, may inflict profitability crises on capital. The blocking of accumulation, in turn, adds pressure on capitalists (and, if sufficiently severe, states) to find ways of restoring profitability.

Along this line of reasoning, it may be argued that while the typical question posed in GVC studies is whether economic upgrading translates into social upgrading, the opposite causality is equally relevant. Not only may unrestful workers pose barriers to capital accumulation, and concessions impose profitability crises on firms, sectors or entire economies; the adoption of new technologies, management systems and organizational structures, in turn, require a reshuffling of social relations. In this way, a Marxist reorientation of the GVC framework entails an appreciation of the ways in which class conflict, accumulation strategies and capitalist development – and, by extension, economic and social upgrading – are dynamically interrelated. In sectors, where capital is highly mobile, however, the pressure from growing labour costs need not drive economic upgrading, as capitalists may seek what Harvey (1981) called a "spatial fix", relocating production to locations with weaker and cheaper labour. Drawing on Harvey, Silver (2003) adds three additional "fixes" that capital may adopt to (temporarily) escape profitability crises and reassert control over labour: *product* fixes, which consists in moving into product lines (or entirely new industries) subject to less intense competition; *technological* fixes, i.e. the reorganization of production, including the adoption of labour-saving technologies; and *financial* fixes, moving capital out of production entirely, shifting into speculative, financial activities (Silver 2003, 39). While these concepts overlap with the typical upgrading typology in mainstream GVC, they explicate the link between the various initiatives and capital-labour conflict.

Internal aspect of "peripherality": Surplus labour and structural heterogeneity

If Marxist political economy is taken as a starting point for theorizing processes of social upgrading, the next logical question becomes: How are class-relations and the workings of capitalism shaped by conditions of "peripherality" typical of garment-producing countries? On these matters – at the risk of being overlooked by the network essentialism of mainstream GVC – relevant insights can be gained by consulting some of the schools of thought that have gone the farthest in theorizing how economic "laws" operate differently in "peripheral" economies. To probe into the "internal" aspects of peripherality, the pioneering dual-economy model of Lewis (1954) provides a useful entry point.

In his famous article, Lewis (1954) starts from the observation that neoclassical assumptions – full employment and perfect competition, among them – are poorly reflected in most developing countries (Ranis 2004, 715). Rather, he argues, in a typical "underdeveloped" economy, a modern high-productivity capitalist sector co-exists with a traditional low-productivity subsistence sector (Lewis 1954, 2). Whereas the former is characterized by profit-maximization and full employment of resources, the latter operates according to social conventions and is distinguished by the existence of surplus labour, manifest in widespread underemployment – vast numbers of redundant workers, whose marginal productivity is "negligible, zero, or even negative" (Lewis 1954, 2). Although often associated with subsistence agriculture, such labour surplus is not confined to the countryside – in urban zones, casual workers and petty traders to the pool of excess workers, as does generally "the wives and daughters of the household" (Lewis 1954, 3). This duality has a crucial implication, which renders the neoclassical marginal-productivity theory of wages irrelevant: since incomes in the subsistence sector are *not* determined by marginal-productivity, the capitalist sector can expand by pulling in cheap labour from the subsistence sector *without* pushing up wages. As Lewis put it, these conditions permit an "enormous expansion of new industries or new employment opportunities without any shortage of unskilled labour becoming apparent in the labour market. From the point of view of the effect of economic development on wages, the supply of labour is practically unlimited" (Lewis 1954, 4). Gradually, however, the labour surplus is absorbed, and the removal of additional workers from the subsistence sector begins pushing up incomes there. After this tipping point, in the literature known as the Lewis turning point, scarcity kicks in, duality ceases to exist and the economy "enters a neoclassical world". In short, thus, Lewis argues that in dualistic, surplus labour economies, capitalist expansion can draw on initially unlimited supplies of low-wage labour from the subsistence sector; a process that gradually exhausts the labour surplus until the point where shortages emerge and wages are pushed up.

While Lewis is the author most closely associated with the notions of surplus labour and structural dualism, others have pointed at similar issues. Although their views differ from those of Lewis, several Latin American structuralists, including Prebisch (1950), Furtado (1961) and Pinto (1965), pointed to the "structural heterogeneity" of economies in the periphery, manifest in enormous gaps in productivities, technologies and employment within and across sectors (Vera 2013, 927–30). Even a few years before Lewis, Prebisch (1950) identified vast labour reserves as a main reason for "the inability of workers to capture a significant part of the increase in productivity" and the resultant deteriorating terms of trade experienced by the "periphery" vis-à-vis the "centre" (more on this below) (Kay 1989, 34).

In fact, similar points were addressed by Marx, who was preoccupied with the effect of the "relative surplus population" on class relations. In *Capital*, Marx identified several forms of what he called the "industrial reserve army", including the workers repelled from modern industry (its *floating* form), the part of the overabundant agricultural population that is "constantly on the point of passing over into an urban or manufacturing proletariat" (its *latent* form), and the "part of the active labour army [...] with extremely irregular employment (the *stagnant* form). Far from a mere residual, Marx saw the creation and maintenance of an industrial reserve army as *internal* to the operations of capitalism – not least because the transition to capitalism required the *formation* of a "free" class of wage labour (through so-called "primitive accumulation"), and the constant adoption of labour-saving technologies ensures that worker are continually thrown into the reserve army. Importantly, for Marx, its size directly affects workers' bargaining power: "The industrial reserve army, during the periods of stagnation and average prosperity, weighs down the active army of workers; during the periods of over-production and feverish activity, it puts a curb on their pretentions. The relative surplus population is therefore the background against which the law of demand and supply of labour does its work" (Marx 1867, chap. 25).

The recognition of surplus labour as an important mechanism of wage depression – under capitalism in general, but, given the sheer size of their "relative surplus populations", even more so in "peripheral" economies – is relevant for theorizing the relationship between economic and social upgrading. Specifically, as long as surplus labour is available, the marketplace bargaining power of labour in the expanding capitalist sector is curbed, as capitalists can draw on practically unlimited inflows of workers, willing to take jobs at low salaries and under poor conditions.

2.3.2 Vertical axis: GVC governance, value distribution and the external aspect of "peripherality"

While this Marxist reframing, with its view of collective action as driver of social upgrading, and the recognition of "peripherality" as an important mediating factor, represent the conceptualization of the "horizontal" axis, this section elaborates on the ways in which such local-level class struggles are intersected by GVC dynamics (which, it will be argued, are conditioned by an "external" aspect of "peripherality"). Although the global-local interplay is complex, five major *points of intersection* may be pointed out as particularly relevant here: (1) the product and process requirements of lead firms and their implications for the labour process in supplier firms; (2) relatedly, the conditioning of workers' workplace bargaining power by their position in GVCs; (3) the emergence of lead firms as intervening agents in local capital-labour-state relations; (4) the ways in which the governance and ownership structures of GVCs co-determine the "upgrading space" available to firms in response to labour-inflicted profitability crises; and, (5) the governance and distributional dynamics of GVCs as co-determinant of the surplus available for distribution between capital and labour. These points are explored in turn.

Lead firm requirements and labour processes

Lead firms in GVCs typically make a range of detailed requirements to products, production processes, working conditions, delivery schedules etc. These requirements have direct implications for labour processes in in the manufacturing nodes of GVCs, shaping the ways production is organized, the strategies of control and consent used by management, production intensity, working conditions and so on. At the same time, however, lead firm demands also affect workers' structural bargaining power against capital. In his analysis of export grape production in Brazil, Selwyn (2007) found that tightening requirements by UK supermarkets, concerning grape size, quality, sugar levels etc., had not just created a more demanding work environment, with higher work intensity and closer supervision, but also boosted workers' structural power, as even small disruptions may compromise farms' ability to meet retailers' demands – and this had allowed rural trade unions to win significant gains. Likewise, Anner (2018) argues that Vietnamese workers producing for "fast fashion" brands have higher strike leverage, as employers are under great pressure to deliver on time and are imposed hefty fines, if they fail to do so. As these examples suggest, lead firm requirements not only shape labour processes, but feed into workers' structural power by affecting the costs incurred by employers in the case of disruption.

GVC position and structural power

A related point is that the workplace bargaining power of particular groups of workers can be seen as critically depending on their position in the GVC. Thus, workers that occupy bottlenecks in the flow of goods, such as transport workers, enjoy a particularly high degree of workplace bargaining power, while workers producing simple goods that could easily be sourced from another supplier are in poor bargaining positions. Relatedly, Selwyn (2008) points to the so-called "bullwhip effect", i.e. the fact that a small disruption in one part of the chain may be magnified elsewhere, as a major source of structural power. For this reason, Quan (2008) suggests that GVC analysis can be used by labour organizers to identify weak spots, leverage points and bottlenecks for collective action (2008, 93).

Lead firms as intervening agents

Thirdly, production in GVCs implicates lead firms as possible intervening agents in local capital-labour relations. Lead firms may, hence, be triggered to intervene in local class struggles, possibly putting pressure on suppliers and governments to meet workers' demands. Based on their analysis of the banana and cut flower GVCs, Riisgaard and Hammer (2011) find that the kind of labour leverage depends both on the degree of "drivenness", with greater leverage where lead firms have tight control over other chain actors, *and* the functional position of lead firms, with workers in producer-driven chain being in a better position to disrupt production, while workers in buyer-driven chains, often, must depend on coalitions with actors at the consumer end. Likewise, Niforou (2015) suggests that lead firms' CSR policies may offer a leverage point for labour, with success depending on, among other things, the sensitivity to reputational damage to the particular lead firm.

Defining the "upgrading space"

Fourthly, the structure and governance of GVCs can be seen as conditioning the repertoire of strategies available to supplier firms in responding to profitability pressures. This is important, since any material gains won by workers exert a profit-squeeze on capital, *unless* it is fully compensated by raising the value captured per worker. Intuitively, the non-profit-eroding accommodation of social upgrading – to the extent it incurs costs on capital – *requires* some degree of economic upgrading. Depending on their position in the chain, however, suppliers in GVCs may not be "free to choose" the upgrading strategies of their liking. This point is corroborated by a number of empirical studies, which have found upgrading possibilities to differ by end markets and ownership structures (Palpacuer et al. 2005; Gibbon 2008; Morris et al. 2016). For instance, in their study of the apparel industry in Lesotho, Staritz and Morris (2017) find that while Asian-owned factories, integrated into triangular production networks supplying the US market, are "locked into" low-value activities – with the "strategic choice of what and how to produce" made by parent firms headquartered abroad – firms in the regional, South African-led value chain face much better upgrading prospects (2017, 14). In general, these studies suggest that locally-owned (or in other ways, more socially embedded) firms have a greater interest in upgrading, and greater autonomy to pursue it, while foreign-invested firms owned by garment TNCs, established mainly to take advantage of cheap labour and preferential market access, have severely limited room of manoeuvre (Morris et al. 2016). These insights are relevant for a Marxist reworking of the GVC perspective, since it leads to an expectation that capital facing a narrow "upgrading space" will be more likely to take a hostile stance towards workers' demands, whereas capital in a better position to compensate rising labour costs through economic upgrading will be less resistant.

External aspect of "peripherality": Unequal exchange as incentive for super-exploitation

A final point of intersection consists in the ways in horizontal class struggles may be seen as *circumscribed* by the vertical distribution of value in chains (Nathan et al. 2016). It may be argued that this transmission channel represents the most fundamental, if somewhat less obvious, mechanism through which GVC dynamics interfere in local-level class struggles. Specifically, by co-determining the "size of the pie" up for "grabs" by capital and labour, the allocation of value in GVCs crucially defines the terrain upon which local class conflicts play out. In firms, sectors or countries, where value capture is insufficient to compensate rising living costs, capitalists cannot pay wages (or health insurance or whatever cost rising with inflation) without encroaching on their profits. Under these conditions, arguably, capital-labour conflict becomes particularly intense, with little room for what Wright (2000) calls positive class compromise, "in which both parties can improve their position through various forms of active, mutual cooperation" (2000, 958). In contrast, where value distribution is sufficiently favourable, capitalists can finance concessions to labour out of greater value capture per worker; profits and wages can grow simultaneously, and there is, in theory at least, greater potential for class compromises.

This point is important, since – in today's global economy – there is no guarantee that value capture will be sufficient to pay even constant real wages without eroding profits. This is exactly the point that Silver (2003) makes, when she notes that "each recurrence of the *deja vu* pattern" – the continuous relocation of industry towards new sites of production with lower wages and weaker labour movements – "took place in a *fundamentally different competitive environment*" (2003, 170). Importantly, she continues, these dynamics severely restrict the "room of manoeuvre in establishing stable capital-labour accords", rendering class compromises increasingly unviable.

As she succinctly describes the paradox, “spatial fixes relocated the social contradictions of mass production (including strong working classes), but they have not relocated the wealth through which high-wage countries historically accommodated those same contradictions” (2003, 170).

If these distributional issues have lost prominence in conventional GVC studies, they were a major concern for earlier schools of development thinking, including Latin American structuralism and dependency theory. According to the Prebisch-Singer thesis, named after Argentinian economist Raúl Prebisch and Bristish economist Hans Singer, who independently reached similar conclusions in the early 1950s, development in the “periphery” in the first half of the 20th century was inhibited by a deterioration of the terms of trade between primary commodities (exported by those countries) and manufactured goods (imported from the “core”). While productivity gains in the core, they observed, were captured as higher wages and profits, countries in the periphery tended to “trade away” gains in the form of lower export prices, “a share of the fruits of their own technical progress” being transferred to their trading partners (Prebisch 1950, 10; Singer 1950)[4]. This mechanism, in effect, amounted to a long-term transfer of surplus from the periphery. Why did it occur? While in their early works, Prebisch and Singer mainly ascribed the declining terms of trade to the particular characteristics of commodities, they later stressed the structural differences between center and periphery – “their different level of technological capacity, different organization of labour markets, presence or absence of surplus labour, etc.” (Singer quoted in Cypher and Dietz 2010, 179). Most crucially, the abundance of poorly organized labour makes wages much more flexible in the periphery, and therefore, price

This mechanism is highly relevant for an analysis of social and economic upgrading in the garment GVC. Not only does value distribution (along the vertical axis), as noted above, set the parameters for local-level class struggle (the horizontal axis). To the extent that peripheral producers “trade away” productivity gains, they may be inhibited in translating economic upgrading into greater value capture. These insights place the dynamics of pricing and distribution at the centre of understanding the how GVC dynamics co-determine local-level class processes.

How these external aspects of peripherality interfere in the internal class dynamics of peripheral societies is aptly captured by Marini (1973), the most outstanding of the Marxist *dependentistas* according to Kay (1989). In his *Dialectics of Dependency*, Marini (1973) explored how the development of capitalism in the periphery gives rise to a series of peculiarities. Three core propositions of his thinking are relevant here. Firstly, he argued that the mechanisms of unequal exchange identified by Prebisch (1950) and Singer (1950) should be seen as dialectically related to the internal productive systems of peripheral economies, with severe consequences for their class relations. In particular, he maintained that the transfer of surplus value through unequal exchange leads to a fall of profits in the periphery, which compels capitalists to compensate by super-exploiting workers, i.e. paying them below their value (Marini 1973). Such super-exploitation is

[4] Interestingly, Lewis (1954) came to similar conclusions in the much-less-quoted last part of his 1954 paper, where he moved from a closed to an open economy (1954, 22-29).

achieved via three mechanisms: (1) prolonging the working day, (2) intensifying the work process and eliminating “dead time”, and (3) pushing wages below reproduction costs, with the capitalist appropriating a part of workers’ consumption fund (Kay 1989, 145; Osorio 2016, 98)[5]. The three modalities, often occurring in combination, “give shape to a mode of production founded exclusively on the greater exploitation of the worker, and not on the development of his or her productive capacity” (Marini 1973, quoted in Valencia 2017, 92). In effect, “the worker is denied the conditions necessary to replenish his or her spent labour power”, leading to “premature exhaustion” or removing the “possibility of consuming what is strictly speaking indispensable to conserve his or her labour power under normal circumstances” (Marini 1973, quoted in Valencia 2017, 72).

The second relevant idea on the conditions of peripheral capitalism is what Osorio (2016) calls the “rupturing of the circuit of capital, that is, the discrepancy between the spheres of production and realization” (Osorio 2016, 96). With the detachment of production and consumption – resulting from the dominance of export-oriented production for consumption in distant markets – capitalism in the periphery bypasses some of the usual contradictions of capitalism, most notably the problem of effective demand (Harvey 2006, 89–97). Osorio (2016) observes that “in terms of accumulation, workers therefore matter to capital as producers, not as consumers” (Osorio 2016, 98). Under these circumstances, hence, low wages do not in any way hinder the realization of surplus value – and so, this “broken” circuit of capital contributes to sustaining super-exploitation (Kay 1989, 146).

Thirdly, Marini argues that unequal exchange and super-exploitation hinder the transition from absolute to relative surplus value as the dominant axis of capital accumulation in the periphery (Kay 1989, 145). As producers in the periphery see surplus value slip through their fingers, “trading away” the fruits of technological progress, they cannot fully escape the falling profit rate by raising productivity. As Marini argued, in the case of Latin America, therefore, “technical progress made possible capitalist intensification of the rhythm of the worker’s labour, increasing his productivity and, simultaneously, sustaining the tendency to remunerate him at a lower rate than his real value” (Marini 1973, quoted in Valencia 2014, 543). Elsewhere, he claims that “once an economic process based on super-exploitation takes hold, a monstrous mechanism is set in motion, whose perversity, far from being mitigated, is accentuated in the mobilization of the dependent economy to increase productivity through technological development” (Marini 1978, quoted in Valencia 2014, 543). The point is not that peripheral producers cannot raise productivity, but that unequal exchange hinders them from *capturing* the gains from doing so – and therefore, technological progress does not solve the fundamental contradiction that underpins super-exploitation.

Super-exploitation can be seen as taking place at the intersection of what is here called the “horizontal” and “vertical” dimensions. As Marini clarified, the “super-exploitation of labour is

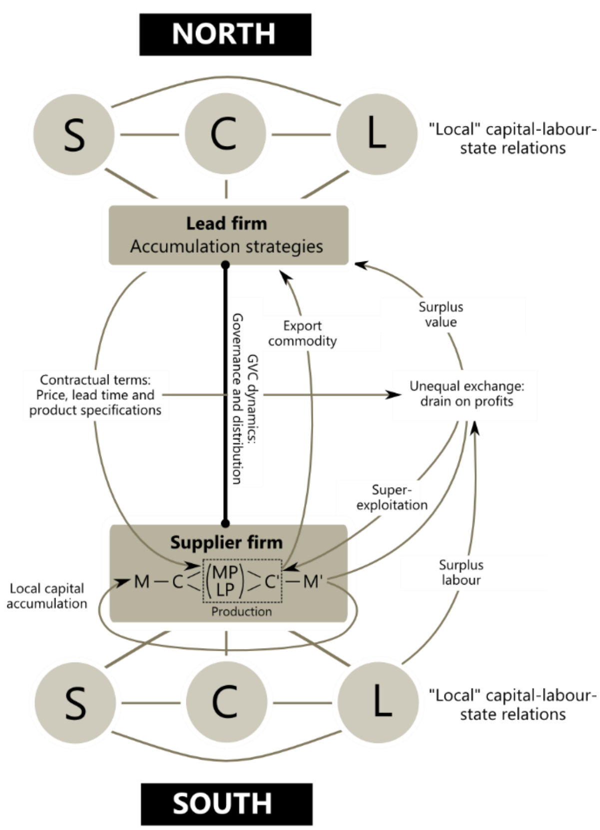
[5] The first two relates to Marx’ concept of absolute surplus value; the third was actually mentioned a few times in Capital, but abstracted away, as Marx – in order to analyse capitalism in the abstract – assumed that all commodities exchange at their value (Smith 2016, 236–39). Marini’s greatest contribution was to argue that this third form of surplus value was the dominant form of exploitation in the periphery, not least due to its position in the global economy.

spurred by unequal exchange, but it does not derive from it; rather, it derives from the fever for profits created by the global market and based fundamentally on the formation of a relative superpopulation" (Marini 1978, quoted in Valencia 2017, 69). This understanding is particularly relevant for our purposes, as it encapsulates the nexus between value distribution in GVCs, structural features of peripheral economies and capital-labour relations in production.

2.3.3 Summary of theoretical framework

Summarizing the theoretical framework, Figure 1 illustrates how GVC-led development in the global South is conceived as situated at the intersection of local class relations (a "horizontal" axis) and GVC dynamics (a "vertical axis"), which themselves, with the methodologically globalist conception of class, are interpreted as structured by class relations in the North. Thus conceived, GVCs become an analytical tool for investigating how, through a firm-firm lens, "class relations in different parts of the world co-determine each other's development" (Selwyn 2016, 1773).

Figure 1. Theoretical framework in a figure



As illustrated in the upper part of the figure, lead firm accumulation strategies are understood as embedded in "horizontal" capital-labour-state relations at the consumption end of the GVC. These class dynamics fundamentally condition the contractual terms – price, lead times, product specification and requirements to social and environmental compliance – which lead firms place on their suppliers in the global South (in the lower part of the figure). Importantly, these contractual terms have a direct bearing on production (and labour) processes in exporting factories, shaping the organization, management and pace of work.

Conditions at the "bottom" of the chain are, however, co-determined by "horizontal" capital-labour-state relations in producer countries. Processes of social upgrading are analysed in light of workers' attempts, via collective action, to improve their position in the accumulation process, their strategies for doing so, and the counterstrategies pursued by capital and the state. Successes and failures are analysed in light of shifts in workers' structural bargaining power vis-à-vis capital and the state. As a "manager" of capitalist development, the role of the state in mediating capital-labour conflict is considered particularly central. Moreover, class dynamics are conceived as having important implications for economic trajectories, not least because costly concessions to the working class may inflict profitability crises, calling for solutions by capital and state.

The theoretical apparatus views these local-level class processes as fundamentally shaped by the conditions of "peripherality" typical of garment-producing countries – vast amounts of surplus labour, the co-existence of capitalist sectors with subsistence economies, and the tendency siphon off profits via unequal exchange. These conditions enable lead firms – through the contractual terms imposed on suppliers – to capture a part of the surplus value generated in peripheral export sectors through unequal exchange. Acting as a drain on profits in supplier firms, this mechanism incentivises super-exploitation of workers, paying wages below reproduction costs and intensifying work beyond the point of exhaustion. At the same time, unequal exchange limits local capital accumulation and inhibits peripheral producers in compensating the drain on profits by raising productivity.

In short, this theoretical framework locates capitalist development in GVCs, including processes of social and economic upgrading, at the intersection of a "horizontal" axis (local capital-labour-state relations) and a "vertical" axis (governance and distributional dynamics of GVCs), with particular attention to the ways in which the triple phenomena of surplus labour, unequal exchange and super-exploitation shape class relations at the bottom of GVCs.

2.4 Methodology and methods

This section outlines the methodology and methods used in the thesis. Section 2.4.1 clarifies the foundational philosophy of science underpinning the analysis, historical materialism. After that, section 2.4.2 sets out a three-pronged research strategy, consisting of (1) an analysis of the evolving garment GVC, (2) an in-depth case study of the Cambodian garment industry, and (3) of comparative analysis with Vietnam. Finally, section 2.4.3 gives an overview of the data and sources used in the thesis, including fieldwork interview and secondary data.

2.4.1 Historical materialism

The thesis builds on the philosophical foundations of historical materialism, traditionally associated with Marxist political economy. Historical materialism starts from the premise that *all* human societies need to produce the material necessities for their own reproduction. Societies are, hence, fundamentally distinguished by the specific ways in which production is organized and by the *social relations* underpinning it (Fine and Saad-Filho 2016, 5). According to Marx, these relations of production are – in all but the simplest societal forms – "essentially exploitative relations between classes" (Blackledge 2006, 28), and needs to be understood as the specific social structures through which "unpaid surplus-labour is pumped out of direct producers" by those of own the land and machinery, the means of production (Allen 2014, 123). At its heart, historical materialism views history as driven by the contradictions and tensions arising from these social relations of production. The "materialism" of historical materialism, thus, consists in awarding material conditions, rather than ideas, primacy as the motor of historical change.

In its views of the constitution of the social world (ontology), and the ways in which it can be comprehended (epistemology), historical materialism can be seen as having five key features. Firstly, it is *historical* at heart. Marxist political economy stresses that "social phenomena and processes exist, and can be understood, only in their historical context" (Fine and Saad-Filho 2016, 5). Secondly, it is *holistic*, positing society as a *totality*, "an integral whole whose individual parts are mutually constitutive" (Milonakis and Fine 2010, 37). In such perspective, things and events are never seen as isolated, discrete phenomena, but always as "part of a web of interconnected relationships" (Allen 2014, 119). For this reason, the economic, political, social, cultural etc. are seen as inseparable parts of an organic whole. Marx, as Milonakis and Fine (2010) note, "conceives the object of political economy in the broadest possible terms to include both social and historical elements" (2010, 38).

Thirdly, historical materialism perceives societies to be in constant change. As Engels put it, Marx' materialism conceives the world not "as a complex of ready-made things, but as a complex of processes" (quoted in Blackledge 2006, 46). A core tenet of historical materialism, hence, is that "everything is transitory" (Allen 2014, 120) and that social phenomena are always "in the state of becoming", which "implies a continuous developmental process" (Milonakis and Fine 2010, 39). This also entails that any fixation of historical outcomes – such as the institutionalization of concessions won through workers' struggles – is always fragile and contingent.

The reason for this constant change is, fourthly, that the "totality is riven with contradictions" (Allen 2014, 120). At the core of historical materialism is a *dialectic* conception of history, according to which the movement of social entities is shaped by the endless conflict of tensions and contradictions, tendencies and countertendencies, within it. The social world, therefore, is understood as a unity of opposites, and its inner contradictions – primarily class struggle – as the motor of social change (Milonakis and Fine 2010, 36).

More than that, however, dialectical materialism is a cornerstone of Marx' method of understanding the world. Rather than analysing social entities through pre-conceived abstract concepts, Marx argued that analysis should start from the real and concrete and, through what he calls *real abstractions*, "identify the material structures of determination of reality" (Saad-Filho 2002, 10). The purpose of this is to reveal the essence – the "internal law-governed structure" – of the object of study. As Saad-Filho (2002) argues, this approach "recognises that scientific investigation requires not only familiarisation with the subject as a historically existing entity, but also application of the method of analysis in such a way as to reveal most effectively the structures, tendencies and counter-tendencies associated with reality” (2002, 20). As summed up by Campling et al. (2016), this entails “moving between abstractions and the ‘real and concrete’, and attempting to conceptualise the whole as a ‘rich totality of many determinations and relations’” (2016, 1746).

2.4.2 A research design in three steps

From this methodological base, the thesis employs a research design in three steps. As a core assumption of the theoretical framework is that processes of social and economic upgrading in garment-producing countries are fundamentally shaped by GVC dynamics, the first analytical step consist in mapping the key tendencies of the evolving garment GVC. Armed with the globalist conception of class, therefore, the first part explores how the accumulation strategies of clothing brands and retailers have shifted in light of changing capital-labour relations in the main consumer markets in the global North, and how these processes have altered the parameters for producer countries in the South. Focusing on the “vertical axis”, hence, this initial step explores the garment GVC “from above” in order to situate the case studies in their proper historical context.

The next step in the research design consists in an in-depth analysis of the Cambodian case, from the arrival of the first garment factories in the mid-1990s up to the present (Gerring 2004; Flyvbjerg 2006). The aim of this part is three-fold. Firstly, it seeks to dissect the social trajectory of garment workers from a class-relational perspective. It examines the role of workers collective action and counterstrategies pursued by capital and the state by mapping the chronology of key events – including strike activity and others forms of collective action – surrounding each of the major amendments of the legal-regulatory framework passed in the period of investigation. Moreover, it examines how the impact of workers’ struggles was conditioned by structural shifts in their bargaining power vis-à-vis capital and the state. Secondly, the case study explores the dialectics between the social and economic trajectories, by examining how garment workers’ struggles have affected, and been affected by, the accumulation strategies of garment manufacturers, as well as the political strategies pursued by the government. Finally, the third purpose of the case study is to investigate how the “vertical forces” uncovered in the first part have co-determined the shape of capitalist development in Cambodia.

The selection of the Cambodian garment industry for analysis rests on the view that it represents what comparative political scientists call a *crucial case* (Gerring 2006, 115–21). With one of the most progressive labour laws in the region, having ratified all eight fundamental ILO conventions (including those on freedom of association and collective bargaining), and being scrutinized by the world’s most comprehensive monitoring programme, mandatory for all exporting factories, Cambodia can be seen as a “most-likely” case: a setting that provides a conducive setting for a theorized relationship – in this case, social upgrading through "good governance" – to produce an expected outcome. Arguably, the validity of the mainstream Polanyian conception of social upgrading can be seen as resting on the case, where the most serious attempt has been made to install the "right" institutions. Challenging the mainstream in this setting, hence, is particular damaging for its validity and, in principle at least, has implications beyond the particular case.

As the third and final step in the research design, the findings from the Cambodian case are tested in a comparative analysis with the garment industry in neighbouring Vietnam. While Cambodia and Vietnam differ in their political economies, industrial relations frameworks and sector characteristics (most notably ownership structures), garment workers in the two countries have experienced similar social trajectories (with important differences, however). Together, hence, the two cases can be seen as representing a "most-different systems design" – a set of cases that have similar outcomes in different settings (Gerring 2006, 139–42). In such comparative setup, the key analytical question becomes what common mechanism accounts for the common outcomes.

In this way, the research question is examined with the Cambodian case as a primary case, subject to intense within-case analysis, and Vietnam as a secondary case, brought in for comparative purposes. The bulk of the thesis, hence, consists in a class-relational analysis of the social and economic trajectories of the Cambodian garment industry – spanning chapters 5-7 – while the Vietnamese case is examined in chapter 8. Chapter 4 provides further background on the two cases and the logic of case selection.

2.4.3 Data and sources

The thesis is informed by both primary and secondary data. Firstly, it draws on fieldwork conducted in Cambodia (five weeks between October and December 2017) and in Vietnam (two weeks in March 2018). During these short but intense fieldtrips, interviews were done with key informants in and around the garment industries: Factory managers, employers' associations, unions, workers, national and international civil society organizations working with labour issues, officials in relevant ministries and other experts. The interviews revolved around mapping the changing situation of garment workers and factories, understanding the most important improvements and setbacks, and how informants perceived the reasons for these changes. Particular attention was paid to the "transitional periods" in the social trajectories, identified prior to fieldwork, and how informants saw the role of workers' collective action and the various strategies pursued by unions, employers and authorities in producing these outcomes.

The selection of informants relied heavily on snowballing. Prior to the fieldtrips, key people were identified and contacted for the purpose of establishing further contacts in the case countries. Contact to the these key people was facilitated by colleagues at the Danish Institute for Human Rights and the authors' own professional network. Before departure, as many appointments as possible were scheduled, and after interviews, informants were asked if they could provide access to further informants. This strategy proved productive, in particular in the case of unions, civil society organizations and public authorities, as most of the interview appointments with these groups were made during fieldwork, with just a few days' notice.

Getting access to factories was more challenging. Prior to the first trip to Cambodia in October 2017, more than 200 factories were contacted via email, found in the online membership directory of the Garment Manufacturers Association in Cambodia (GMAC), but despite several rounds of follow-up, only a very few factories responded. An experienced Cambodian journalist, recommended by a Danish centre for investigative journalism, was hired to set up meetings, but gave up without results. Some of the major brands sourcing from Cambodia were also contacted with the aim of facilitating access to their suppliers, but this proved equally fruitless. There are several likely reasons for this. Most importantly, given the highly politicized character of the Cambodian garment industry, managers were reluctant to grant access to their premises out of doubts about intentions and use of data. Coming from the Danish Institute for Human Rights did not help the situation. Moreover, as most of the factories are run by Chinese, Taiwanese, South Korean and other Asian managers, language barriers proved an obstacle. Before the second trip to Cambodia, in a final attempt to "open doors", roughly 100 factories were contacted via phone. Through persistent effort, tentative agreements were made with several factories, and when contacted again during the second fieldtrip, meetings were successfully set up. Toning down the affiliation with a human rights institute, and offering to meet outside the factories, helped convince managers. In total, 17 factory managers were interviewed in Cambodia. In Vietnam, factories were entirely contacted via snowballing, and interviews were conducted with the managers of five factories.

To get in contact with garment workers, a former Cambodia Daily journalist and translator was engaged. During weekends and afternoons, his motorbike took us around the outskirts of Phnom Penh to meet garment workers, either in their residential areas or outside factories. Interviews were made with 20 garment workers. These interviews, apart from getting first-hand observational knowledge on the demography and living conditions of the garment workforce, addressed the following topics: workers' motivation for taking up work in garment factories; their perceptions of wages and working conditions (and changes over time); how a typical workday is organized; how production is organized; how managers "motivate" workers; whether informants were union members and how they considered the role of unions; their experience with collective action; and the different techniques used by employers to prevent labour unrest. To shed light on the changing social situation of garment workers, rather, interviews were done with some of the rare labour NGOs, who collect regular information on workers' wages, working conditions, grievances and living situation in general.

During these highly intense fieldtrips, a total of 60 interviews were done in Cambodia, and 20 interviews in Vietnam. A few follow-up interviews were conducted via skype in the summer 2018, to get an update on the situation of the independent labour movement. Table 1 provides an overview of the fieldwork interviews conducted in the two cases.

Table 1. Overview of fieldwork interviews

	Cambodia	Vietnam
Labour	Garment workers (20) Union leaders (4) Local labour/human rights NGOs (4) International labour/human rights NGOs (4)	VGCL (1) Institute for Workers and Trade Unions (1) Local labour NGOs (4) International labour NGOs (3)
Capital	Factory managers (17) Garment Manufacturers Association in Cambodia (3)	Factory managers (5) Vietnam Textile and Apparel Association (1)
State	Ministry of Labour and Vocational Training (2) Ministry of Economy and Finance (1) Council for the Development of Cambodia (1)	Ministry of Labour, Invalids and Social Affairs (4)
Other	ILO in Cambodia (3) Better Factories Cambodia (1)	ILO Better Work Vietnam (1)
Total	60	20

In addition to fieldwork, the thesis draws extensively on secondary sources and statistics. The analysis of the evolution of the garment GVC builds on existing research, but backs up the arguments with a range of data and statistics – e.g. on ownership concentration in clothing retail from US Economic Census and on changing clothing (and general consumer) prices from Bureau of Labour Statistics (BLS) and OECD.Stat. Most comprehensively, to assess the changing pricing trends of the garment GVC, the thesis makes use of international trade data from UN Comtrade and import data from the United States International Trade Commission (USITC) and Eurostat's ComExt. In addition, the "global analysis" explores the changing conditions for garment manufacturers through UNIDO Industrial Statistics (IndStat2), which contains data on employment, output, value-added and wages at the 2-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC), including on "wearing apparel". Based on these data sources, the "global analysis" examines how changes to the geography, governance and institutional setup of the garment GVC has affected the distribution of value in the chain, and what implications this has for capital-labour relations in today's garment-producing countries.

The case studies, in turn, draw on a wide range of secondary sources and statistics, in addition to the primary data collected during fieldwork: Relevant legal and policy documents; quantitative statistics obtained from government statistical offices, relevant ministries and international organizations; and research by international and local NGOs. To map the social trajectories of garment workers, data on minimum wages, average wages, employment etc. was obtained. In order to clarify the economic trajectories, data on the number of factories, output, value-added, wages, export prices etc. have been obtained from relevant authorities. In addition, the thesis makes use of statistics on industrial relations – strikes, collective labour disputes, the number of unions etc. – as recorded by GMAC and the Vietnamese General Confederation of Labour (VGCL), respectively. As some of these statistics are not readily available, data access has in several cases been leveraged by personal relations established during fieldwork.

As an important source of information, moreover, the case studies draw on the coverage of garment sector strikes in national and international media. In Cambodia, a vocal English-language press has (until the recent crackdown) thoroughly reported on strike activity and negotiations over wages and benefits. For instance, a search on "garment worker strike" in the archives of Cambodia Daily yields almost 800 results, while a similar search in the database of Phnom Penh Post finds more than 1,000 articles[6]. This media coverage proved invaluable in mapping garment workers' struggles for social upgrading and the chronology of key events. Although strike coverage in Vietnam is more restricted, the government news agency, Vietnam News, and the labour newspapers Lao Dong (under the VGCL) and Nguoi Lao Dong (under the HCMC labour confederation) have reported widely on labour issues[7]. Especially the Cambodian case study, moreover, relies on the tireless efforts of the civil society – despite a gradually shrinking civic space – to document the changing labour and human rights situation in the country, most notably the Cambodian Centre for Human Rights (CCHR), the Cambodian League for the Promotion and Defence of Human Rights (LICADHO) and the Center for Alliance of Labor and Human Rights (CENTRAL). All these sources are consulted to trace the most important trends in garment workers' social situation and map the changing relations between workers, unions, employers and governments.

2.5 Conclusions

In order to overcome the vague conceptualization of labour in the GVC framework, as well as its neglect of the system-level, this chapter has set out a reframing along Marxist lines. Based on an understanding of capitalism as resting on both exploitation of labour and inter-capitalist competition, the chapter has adopted a methodologically globalist conception of class to conceptualize capitalist development in GVCs at the intersection of two axes. Processes of social and economic upgrading are analysed in light of evolving capital-labour conflict in producer countries, including attempts by working classes to wrest concessions from employers through collective action, the positioning of the state in these struggles, strategies and counter-strategies of these actors and structural shifts in workers' bargaining power. Meanwhile, these "local-level" class-relations are seen as fundamentally shaped by GVC dynamics. In this way, GVC-led development is situated at the intersection of a "horizontal" axis (local capital-labour-state relations) and a "vertical" axis (GVC dynamics, most notably governance and value distribution). In this reframing, the concept of "global value chains" becomes a tool for investigating how class dynamics in different parts of the world interact, mediated by inter-firm relations, and how this affects development at the local level. The chapter, moreover, argues that the GVC framework can benefit from adopting

[6] In citations throughout the thesis, references to these newspapers are abbreviated: Cambodia Daily = CD, Phnom Penh Post = PPP, Khmer Times = KT, Radio Free Asia = RFA.
[7] In citations, this sources is abbreviated as VN, LD and NLD.

a more explicit theorization of the conditions of "peripherality" characterizing typical producer countries, including the co-existence of emerging capitalist sectors and subsistence-based agriculture and vast amounts of surplus labour. Drawing on classical development economics, Latin American structuralism and especially Marini's version of dependency theory, it is argued that these conditions undermine workers' marketplace bargaining power, breed unequal exchange (the transfer of surplus value through trade) and, as compensation, super-exploitation of workers.

These processes, however, cannot be assumed a priori, but beg empirical investigation. The purpose of the next chapter – as the first step in the three-pronged research design pursued in the thesis – is to examine what conditions the garment GVC offers for producer countries drawn into its orbits in the 21st century.

CHAPTER 3

”The squeeze”: The evolving garment GVC and conditions for producers in the 21st century

3.1 Chapter introduction

A central argument of the thesis is that processes of social and economic upgrading in the garment factories of the global South cannot be grasped without an appreciation how GVC dynamics interact with local-level class struggle. The purpose of this chapter is to introduce the garment GVC and examine how its evolution has altered the conditions for producer countries. The overarching argument of the chapter is that a number of interrelated changes in the consumer markets in the global North and producer countries in the South, ultimately linked to the launch of neoliberalism, combined to produce a severe “supplier squeeze” that breed the conditions for super-exploitation of workers in the 21st century garment GVC.

The chapter is organized in five sections. Section 3.2 provides a historical outline of the making of the garment GVC, its governance and distributional features, and its changing institutional context. With these basics in place, section 3.3 shows how a series of trends in the global North – consolidation at the brand/retail level, the launch of neoliberalism with slower growth and sluggish demand, financialization and the emergence of lean retailing and “fast fashion” as dominant business models – altered the accumulation strategies of lead firms and made the search for still-cheaper inputs the key to sustaining profitability. After that, section 3.4 examines how trends in the global South, including the phase-out of the Multi-Fibre Arrangement and the rise of giant East Asian contractors, intensified competition. Section 3.5, in turn, presents a sequence of analyses of international trade and production data to demonstrate how these developments led to a squeeze of suppliers, with a simultaneous depression of export prices and higher non-price requirements. Caught between deflationary export prices and inflationary living costs, it is argued, garment manufacturers now find themselves in a structural profit squeeze, in which even maintaining workers’ living standards encroaches on profits. Section 3.6 concludes.

3.2 The garment GVC: Geography, governance and institutions

While garment manufacturing prior to the WWII was dominated by the "traditional" industrialized countries in North America and Europe, the industrial exodus from the 1960s onwards radically changed the geography of production (Dickerson 1999, chap. 6). In the US, according to UNIDO Industrial Statistics[8], garment manufacturing peaked at more than 1.5 million workers in 1966, but by 2012, just 130,000 jobs were left. In (West) Germany, France and the UK, it plummeted from around half a million (in each case) in the 1960s to roughly 30-40,000 in the 2010s. Across the global North, large sections of industrial working classes were dismantled, and new ones emerged in the global "periphery". In garments, the result was a complete reversal in the spatial distribution of jobs. From less than 15% of all (formal) garment jobs in the 1960s, the share of the global South had, by 2010, reached 90% – and if informal employment is added, the share is even higher.

To understand this "global shift", one needs to go back to the US occupation of Japan and the onset of the cold war (Rosen 2002, 27). Having emerged as a leading producer in the 1920s and 1930s, the Japanese textile industry was virtually destroyed by WWII (Aggarwal 1985, 44). Under US occupation, a key purpose for the Truman administration was to reconstruct Japan along capitalist and democratic lines in order to tie the country firmly to the Western bloc. Funded by loans from Washington, Japanese manufacturers began producing simple textile goods, made of US cotton and exported back to the US and, to a lesser extent, Europe (Rosen 2002, 36–39). To keep Japan from re-establishing relations to its main pre-war trading partner, an embargo on trade with communist China was included in the 1951 US-Japanese peace treaty, and the US market increasingly opened as an outlet. Now, as Rosen (2002) put it, "retailers, manufacturers, and importers […] had carte blanche to seek out low-cost imports from a Japanese textile industry that had been rebuilt largely by U.S. military and foreign aid funds" (Rosen 2002, 49).

During the 1950s, competition from cheaper Japanese textile and garment imports met resistance from domestic US manufacturers and trade unions (Rosen 2002, 37). In 1955, Eisenhower gave in to the pressure and, in derogation of GATT principles, negotiated "voluntary" export restraints (VERs) with Japan; an agreement that was renegotiated and extended in 1957 (Aggarwal 1985, 52). While this move curbed the inflow of Japanese textiles to the US, shipments from other countries, especially Hong Kong, quickly filled the gap (J. Goto 1989, 210). Moreover, Japanese manufacturers soon responded to the restrictions by relocating production, setting up or buying factories in other Asian countries. In parallel, US importers escaped quotas by shifting sourcing, first to Hong Kong and from the mid-1960s to Taiwan and South Korea (Bonacich and Waller 1994, 83–84). Also in these countries, whose geopolitical positions were central to the containment of communism, did the US play a lead role in the establishment of exporting garment industries (Rosen 2002, 47). Likewise, the British textile industry – until WWII the world's largest cotton

[8] The data in this paragraph is extracted from UNIDO IndStat2, ISIC 18 ("wearing apparel except fur").

exporter – suffered under growing competition from Japan, Hong Kong and India and succeeded in lobbying its government to negotiate VERs, concluded in 1959-60 (Aggarwal 1985, 54–63). These restraints prompted manufacturers in Hong Kong to shift production, mainly to Singapore, Taiwan and Macau (Gereffi 1999, 57).

After failed attempts to negotiate VERs with Hong Kong, the Kennedy administration brought the issue to the GATT, resulting in, first, a Short-Term Arrangement Regarding International Trade in Cotton Textiles (1961), and, after that, three successive Long-Term Arrangements (1962-1973)(Hoekman and Kostecki 2013, 305). Made under heavy lobbying from US cotton manufacturers, these agreements sought to regulate the import of *cotton* textiles and garments. With the 1960s "polyester revolution", however, the rules proved impotent against the inflow of garments made of man-made fibres. To bring these under the quota regime, Nixon in 1973 concluded a four-year Multi-Fibre Arrangement (MFA) under the GATT, with effect from 1974 (Rosen 2002, 111–12). Unlike any other manufacturing industry, hence, garments and textiles were exempted from trade liberalization (Hoekman and Kostecki 2013, 269). This arrangement, extended four times – in 1977, 1982, 1986 and 1991 – would form the institutional backbone of garment trade for the next three decades (Dickerson 1999, chap. 10).

The key principle of the MFA was to allow signatories to place quantitative restrictions on textile and garment imports to avoid "market disruption". The agreement allowed "low-cost suppliers (that is, developing countries) [to] be selectively singled out for restraint – only they can cause market disruption as it is defined by the MFA" (Sampson 1986, 71). Initially, restrictions could not lower existing imports levels and should grow by at least 6% per year. With each extension, however, permitted sanctions became more comprehensive and severe (J. Goto 1989, 212–13; Dicken 2017, 461). Often, quotas were used aggressively against poor countries. For instance, the European Community imposed quotas on Sri Lanka in 1977, although it represented a mere 0.2% of all textile and garment imports; and when Bangladesh entered the world market in the early 1980s, the harshness of the quotas caused the closure of almost half the factories in the country (J. Goto 1989, 222). By 1994, the MFA had 45 signatories – 37 exporters, mainly in the global South and Eastern Europe, and eight importers, including the US, Canada and the EU (Hoekman and Kostecki 2013, 304; Dicken 2017, 461).

As Gereffi (1999, 51) pointed out, the effect of the MFA was the opposite of what was intended. Instead of reducing competition, the quota regime facilitated global dispersion, as producers and buyers continuously shifted to locations with under-utilized quotas or no restrictions. After the first migration to Japan, a second migration in the 1960s and 1970s shifted the industry to the East Asian "Tigers", Hong Kong, South Korea, Taiwan and Singapore, which remained the centre of gravity of global garment trade until the 1980s. During the 1980s, the combination of quota restrictions and rising wages prompted another relocation, drawing China and Southeast Asian countries, including Indonesia, Malaysia, Thailand and the Philippines, into the garment

GVC. In a fourth migration, since the early 1990s, production shifted to South Asia (India, Pakistan, Sri Lanka and Bangladesh), as well as Vietnam and Cambodia and regional suppliers, including Turkey and North Africa, in the case of the EU, and Mexico, the Caribbean and Latin America for the US (Dickerson 1999, 168; Gereffi 1999).

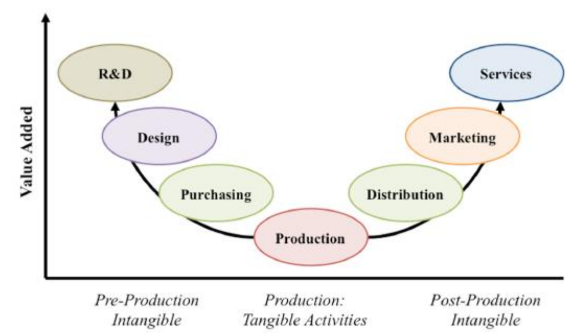
In the initial phases of the globalization of garment production, Northern governments, in particular the US, attempted to balance geopolitical interests with those of then-powerful domestic manufacturers. Gradually, however, cleavages emerged between protectionist coalitions, consisting of domestic textile/garment firms and trade unions, on one side, and the growing retail and import sector, who "now favoured freer access to low-wage, offshore production and the opening of markets abroad", on another (Rosen 2002, 121). In the US, from the mid-1980s, the retail group – joined by the financial industry and a smaller "break-away" faction of the textile-garment complex – lobbied intensively for trade liberalization (2002, 141). According to Rosen (2002, 193–94), the powerful US retail lobby played a lead role in influencing the Uruguay round of GATT negotiations (1986-1994). The resultant Agreement on Textiles and Clothing (ATC), concluded in 1994, led to the elimination of the quota-system over a ten-year period, from 1995-2004. From 2005, hence, garment buyers were set free to source in any amount from any country (Hoekman and Kostecki 2013, 306).

The organization of the global garment industry is widely seen as the quintessential example of Gereffi's (1994) *buyer-driven value chain*, i.e. "those industries in which large retailers, brand-named merchandisers and trading companies play the pivotal role in setting up decentralized production networks in a variety of exporting countries", typically located in developing countries (1994, 97). Common in all sorts of consumer goods, from toys and furniture to electronics and coffee, the control over the flow of resources in such chains – and the distribution of rewards – is seen as residing with global buyers. Four kinds of lead firms can be distinguished in the garment GVC. First, *brand manufacturers* are characterized by owning both brands and manufacturing facilities – this category includes VF Corp in the US (owner of Wrangler, The North Face and a host of other brands) and Inditex (owner of Zara) in Europe. *Branded marketers*, secondly, own and design their brands, but outsource the manufacturing process, and sell their products through a variety of retail outlets – examples are US companies like Nike and Levi's and European counterparts like Hugo Boss and Diesel. *Specialty apparel retailers*, in turn, such as Gap and Limited in the US and H&M and Mango in Europe, develop their own brands for sale in their own clothing chains. Finally, *mass merchants* – the like of Walmart and J.C. Penney in the US and Tesco and Aldi in Europe – develop private-label goods for sale in their own (broader-than-clothing) outlets, but perform no production themselves (Fernandez-Stark et al. 2011, 8).

A key characteristic of the making of the garment GVC, as outlined above, was that only the least profitable segments of the production process were outsourced, while more profitable functions – design and marketing, in particular – were retained in the North (Gereffi 1994, 97). As result, most lead firms in buyer-driven GVCs, some of which used to own production facilities themselves, became "fabless firms", doing no manufacturing at all, but concentrating solely on brand design, marketing and supply chain management (Milberg 2008, 425). In fact, many garment lead firms were born "fabless". US footwear brand Nike, reportedly the most valuable apparel brand in 2018, has never made a single shoe itself, but relies on an extensive network of independent subcontractors – in 2018, 500+ factories employing more than a million workers in 41 countries (Nike 2019). Retailer giant H&M, similarly, does not own any factories, but indirectly employs more than 1.6 million workers in around 800 independent suppliers (H&M 2019). Consequently, lead firms monopolize the most profitable, rent-capturing activities – protected by high entry barriers – while activities that are subject to intense competition, and lower profits, are outsourced.

A common way of describing the distribution of value in buyer-driven GVCs is the so-called "smile curve", as shown to the right (Fernandez-Stark et al. 2011, 12). Breaking the garment GVCs into seven stages, the curve illustrates how production is subject to the lowest value-added, whereas prior and subsequent activities capture the bulk of the value generated in the chain. While the garment GVC has, since its inception, been characterized by a highly asymmetric distribution of rewards, however, the remainder of the chapter will substantiate the argument that the GVC has evolved to produce a gradual deterioration in the conditions of new producer countries, culminating in a "supplier squeeze" in the 21st century.

Figure 2. The smile curve of value distribution



Sources: Fernandez-Stark, Frederick, and Gereffi (2011, 12)

3.3 In the Global North: New lead firm accumulation strategies

In the GVC perspective, the role of lead firms is seen as crucial to the working of value chains. The following sections discuss four interrelated processes that affected the accumulation strategies of brands and retailers in the garment GVC: (1) the consolidation of retail and rise of oligopsonistic sourcing relations; (2) sluggish demand and the adoption of aggressive pricing strategies; (3) the financialization of lead firms; and (4) the rise of lean retailing and "fast fashion" as dominant business models. In important ways, these trends are related to the deep transformation of the political economies of the global North since the 1970s, in particular the transition to neoliberalism. Following Dumenil and Levy (2004; 2013), Harvey (2005) and others, the emergence of neoliberalism in the late 1970s, and its consolidation throughout the 1980s and 1990s, can be interpreted as a "political project to re-establish the conditions for capital accumulation and restore the power of economic elites" (Campbell 2005; Harvey 2005, 27; Jonhston and Saad-Filho 2005). The argument that will be laid forward here is that while the rise of GVCs as a systemic phenomenon may be interpreted as a spatial fix to the crisis of the 1970s, the distributional outcomes of that transition have gradually worsened the conditions for producers. These trends began earlier, but at the turn of the millennium, they worked together to significantly shape the distribution of rewards along the garment GVC.

3.3.1 Consolidation of clothing retail: Oligopsonistic buyer-supplier relations

Gereffi (2007) noted that the "global economy is increasingly concentrated at the top and fragmented at the bottom" (2007, 40). Indeed, the globalization of production has been accompanied by the growing concentration of capital in giant corporations. Through a "global business revolution" – affecting everything from aircrafts to automobiles, telecommunications to soft drinks, and coffee to software platforms – an "unprecedented degree of industrial concentration has been established among leading firms in sector after sector" (Nolan et al. 2008, 42). Although the retail and brand segments of the garment GVC remain more fragmented than most global industries, the trends towards concentration and centralization in the lead end of the chain are clearly evident.

Since the 1970s, clothing retail in the US market has – not least through repeated waves of mergers and acquisitions – been concentrated in the hands of fewer and larger players (Gereffi 1994; Rosen 2002). According to Economic Census data, the share of sales accounted for by the four largest general merchandise stores jumped from 33% in 1972 to 74% in 2012, while the share of the top-20 increased from 61% to 97%. A similar, but less pronounced, pattern is evident for clothing and accessories stores, where the share of the four largest grew from six per cent in 1972 to 19% in 2012, and the share of the 20 largest increased from 17% to 40% (US Economic Census, various years). Testifying to the growing big-player dominance, the four largest retailers in the US – Walmart, Amazon, Target and Macy's – in 2015 accounted for a fourth of *all* clothing sales in the country, still the world's largest market, while the top 20 accounted for 60% (Statista 2018a). Also in Europe, the clothing market was, from the 1980s onwards, characterized by retailer consolidation. Albeit with national variation, mass and specialty retailers outcompeted independent stores, whose average market share in the EU declined from 48% in 1988 to 32.5% in 1999 (Hines and Margaret 2001, 14). By 2005, the ten biggest retailers represented more than 40% of clothing sales in the UK, Germany and France (Bocconi University et al. 2007, 60, 69). Market concentration is equally evident among brands. In 2016, the ten leading brand apparel companies claimed 10% of *all* clothing sales in the world, with H&M (1.5%), Inditex (1.4%), Nike (1.2%) and Gap (1.1%) taking the lead (Statista 2018b). Across the major consumer markets, hence, market power has accumulated in the hands of a relatively limited number of clothing brands and retailers.

In glaring contrast, at the “bottom” of the garment GVC, the *production* segment has become still more fragmented, with a surge in the number of firms competing for orders (Gereffi 1994, 115). Based on UNIDO Industrial Statistics, Mahutga (2014) estimates that the global number of garment-manufacturing firms more than doubled from 1990s to the early 2010s, peaking around 400,000 (2014, 164). Although scholars have pointed to a consolidation among manufacturers after the global financial crisis, the contemporary garment GVC remains characterized by extreme asymmetries of market power: A limited number of brands and retailers select their suppliers among a vast amount of potential candidates. Such differentials in market power, here understood as “an inverse function of the availability of alternatives”, “allow powerful firms to bargain their potential exchange partners against each other and thereby extract economic concessions” (Mahutga 2014, 161–68). These *oligopsonistic sourcing relations* represent a major source of power for lead firms in the garment GVC.

Note that that such market structure does not in any way preclude the destructive competition that Crotty (2000) and others have identified as a key attribute of neoliberalism in the global North. As Smith (2016) correctly points out, a defining feature of the contemporary world economy is that “Northern” lead firms, generally, do *not* compete against their suppliers, often located in the “South”, but against each other. With such bifurcated market structure, intense competition in *both* ends of GVCs can, arguably, coexist with oligopsony relations *within* chains (Smith 2016). This understanding of the power asymmetry between buyers and suppliers in GVCs resonates well with that offered by Milberg and Winkler (2013), according to whom the “traditional” mechanism of capturing super-profits under oligopoly – translating market power into higher prices – has been eroded by the onset of cut-throat price competition in product markets. In its place, oligopsonistic sourcing in *input markets* has emerged as the primary source of rents. Leveraging their sourcing power in GVCs, lead firms have “successfully stoked competition among suppliers so as to minimize input costs and raise flexibility in their supplier base” – effectively maintaining “oligopoly-type mark-ups in product markets by sustaining their oligopsony position in the value chain” (Milberg and Winkler 2013, 25).

3.3.2 Sluggish demand growth and the adoption of aggressive pricing practices

Somewhat ironically, as Gereffi (1994) observed, the consolidation at the brand/retail level translated into *more* rather than less intense competition (1994, 105). Crotty (2003) finds the solution to the paradox in the inability of neoliberal economies to generate sufficient demand, resulting in chronic excess capacity – a form of permanent overproduction crisis, which has prompted a shift from what he calls “co-respective competition to “coercive” or “destructive” competition” (2003: 32). While this tendency is underpinned by several processes, three of them – all related to the distributional outcome of the neoliberal transition – will be mentioned here.

Firstly, the major consumer markets in the global North have, compared to the "Golden Age" of the post-war period, entered a phase of slowing economic growth (Piketty 2014, 94). In the US, the average annual growth rate of GDP (in constant prices) declined from 5.5% in the 1960s to less than 4% throughout the 1970s, 1980s and 1990s, to 1.8% in the 2000s and 1.6% in the 2010s; in Europe, it fell from 6.2% in the 1960s, to 3.2%, 2.7%, 2.5%, 1.4% and 1.1% over the following five decades[9].

Secondly, the fruits of productivity gains have increasingly been captured by capital, with the share of national income going to labour declining in both "core" and "periphery" (Neiman and Karabarbounis 2013; ILO and OECD 2015; IMF 2017). Although magnitudes differ with methodologies, existing research leaves little doubt about the direction of the labour share. A joint study conducted by the ILO and OECD reports that for nine OECD countries, the average labour share declined by 10 percentage points, from a peak of 66% in the mid-1970s to 56% in 2013 (ILO and OECD 2015, 4). Similarly, data reported in Piketty (2014) indicate that between 1980 and 2010, the labour share in national income fell from 80% to 71% in the US, from 81% to 69% in Germany, from 84% to 75% in France and from 82% to 70% in the UK (2014, 222). What accounts for these trends? Smith (2016) argues that "this dramatic trend reflects the change in the balance of class forces to the detriment of the producers of wealth resulting from neoliberalism" (Smith 2016, 151). The explanation is support by a recent analysis, which, based on sectoral data for 14 OECD countries over the period 1970 to 2014, finds the erosion of labour's bargaining power and offshoring of production to be the most important determinants of falling wage shares (Guschanski and Onaran 2017, 2).

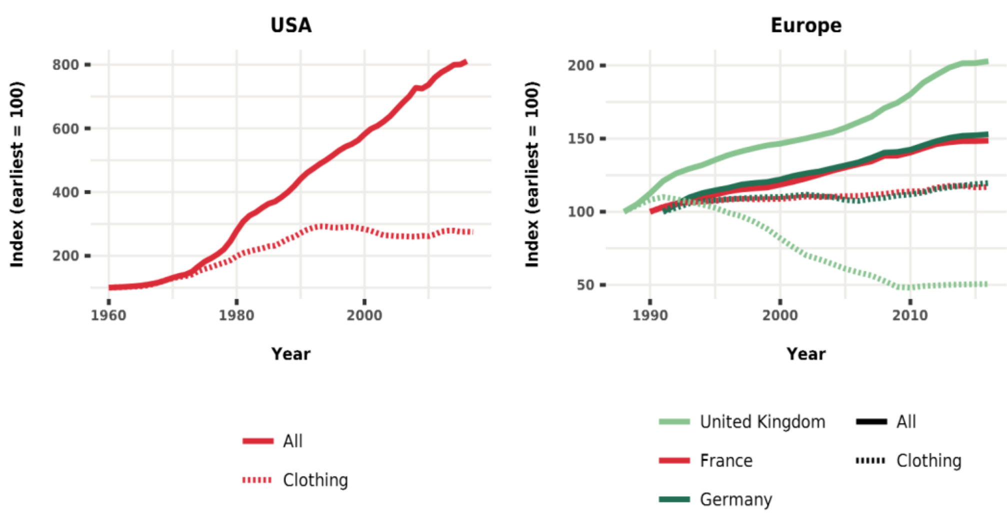
At the same time, thirdly, the neoliberal era has seen rising income inequality *within* wage-earning classes across the global North. One analysis suggests that, between 1985 and 2008, income inequality increased in 17 of 22 OECD countries (OECD 2012). Another, comparing ten countries in North America and Europe, finds that income inequality has risen almost everywhere since the 1970s (Morelli et al. 2015, 688). In some cases, income growth has been so biased that the *majority* of wage earners experienced an *absolute* erosion of their purchasing power. In the US, the world's biggest clothing market, the hourly real compensation of production and non-supervisory workers, who represent four-fifths of the private-sector workforce, increased by just 8% between 1979 and 2013, despite a productivity growth of 65%. Over the same period, the hourly real wage of the *median* US worker was almost stagnant, while low-wage earners (the 10th percentile) saw their real wages decline by 5%, and the top-5% of wage earners experienced a 41% increase (Bivens et al. 2014; Gould 2014; Mishel et al. 2015; Kenworthy 2018). Post-reunification Germany, likewise, has pursued a policy of wage repression, with a similar disconnect of wages from productivity, and the emergence of one of the largest low-wage sectors in the EU. Over the period 1995-2015, real

[9] World Bank, World Development Indicators GDP Constant LCU [accessed online, 19 Sep 2018]

wages grew by just 0.1% per year, on average, with the bottom half of the wage distribution suffering a decline (Bosch and Kalina 2018). While these cases may be extreme, wage growth has, since the 1990s, evidently slowed down in most of the major garment-consuming economies.

To be sure, the transition to a low-growth regime with rising inequality and stagnant real wages stifled consumer demand and intensified competition in clothing retail from the 1980s onwards. Rosen's (2002) account of the US clothing market in this period aptly describes the process: "Reduced buying power among a declining middle class meant traditional retailers could no longer sustain stable margins by catering to a large, growing, and relatively undifferentiated market […] In a slow-growing economy, clothing retailers in every market segment found themselves competing for a greater share of a stagnant or slower growing market" (2002, 179). Supporting this argument, data from US Bureau of Labour Statistics suggests that average consumer expenditure on apparel and related services has remained practically unchanged since the late 1990s – in 2017, the average US consumer spent even fewer dollars on clothing than in 2000 ($1833 vs. $1856)[10]. Also in Europe, consumer spending on clothing has stagnated. According to Eurostat, average per capita clothing expenditure in the EU-27 grew from €500 in 1995 to €700 in 2005 (in current prices), but has remained at this level ever since[11].

Figure 3. Consumer prices – clothing and all items, US and EU



Sources: US: Bureau of Labour Statistics (2019); Europe: OECD.Stat (2019)

[10] BLS Consumer Expenditure Survey [accessed online, 19 Jun 2019].
[11] Eurostat, Final consumption expenditure of households by consumption purpose (COICOP 3 digit) [nama_10_co3_p3], current prices, euro per capita [accessed online 21 Aug 2019].

The instigation of cutthroat price competition in clothing retail is clearly evident in the consumer price indices (CPI) of the major markets. As seen in Figure 1 below, the price of clothing in the US departed from the general trend in consumer prices in the mid-1970s; and since the early 1990s, it has flattened out and even declined for periods. From its peak in 1993, clothing prices *declined* by 11% during the 1990s and 2000s, and although they have increased moderately in recent years, prices paid by US consumers remain lower today than in the 1990s. Strikingly, these are in nominal terms. Compared to the generally rising price level, clothing prices have plummeted by 66% since the mid-1970s. In the largest European markets, clothing prices exhibit similar trends. While detailed CPI data is not available for previous years, it is, nevertheless, evident that since around 1990, clothing prices have diverged substantially from general consumer prices. In the UK, *nominal* clothing prices have been cut in half, a dramatic 75% decline relative to overall prices; in Germany and France, they have risen moderately (around 15-20% since 1990), but – still – at a significantly slower pace than general consumer prices. The general picture that emerges, thus, is that – in a context, where slowing demand, growing income inequalities and stagnating real wages instigated a phase of destructive competition – clothing retailers in the major end markets turned to aggressive pricing strategies: price tags have remained practically unchanged year by year, in total defiance of otherwise inflationary trends in consumer prices.

3.3.3 Financialization: Cost-cutting and maximization of shareholder value

However, the incessant pursuit of cost-cutting – ensured by the integration of still cheaper labour in vast and multi-tiered supplier networks – was not only driven intensifying competition in consumer markets in the neoliberal era. Also *non*-financial corporations, such as retailers and manufacturers, were marked by the re-orientation towards financial capital (Duménil and Lévy 2005b, 2005a). Concurrently, a new model of corporate governance rose to prominence during the 1980s, specifically through the so-called "shareholder revolution" (Baud and Durand 2012). The result of this movement was that previously dominant corporate strategy of "retain and invest", in which a large share of companies' earnings were reinvested) was replaced by an approach known as "downsize and distribute" (Lazonick and O'Sullivan 2000). Under this doctrine, the *maximization of shareholder value* became the guiding principle, reflected in still larger shares of profits being returned to shareholders in the form of dividends and share buy-backs (Lazonick and O'Sullivan 2000). This movement can be seen as a shift in the balance of power from management to shareholders, with top managers increasingly compensated in the form of stock options in order to align interests. Thus, although corporate profits recovered in the neoliberal era, the *use* of profits has shifted, resulting in a decline in the investment rate and, in parallel, a rise in the share transferred to shareholders (Milberg 2008; Palpacuer 2008). As Dumenil and Levy (2005a) point out with reference to the US economy, "in the early 2000s, nearly the totality of profits (compared to 30 percent during the 1970s)" was distributed as dividends (2005a, 29). Milberg (2008), likewise, identifies a growing "leakage" to financial markets: "dividends and share buy-backs have risen steadily (with cyclical fluctuations) as a share of internal funds in the non-financial corporate sector, taking off in the early 1980s from a plateau of around 20 per cent and reaching about 90 per cent by 2006" (2008, 437). In the case of France, the "rate of cash-flow distribution in the form of dividends and share buy-back climbed to 60 per cent in 2007, while dividend distribution alone increased from 27 to 39 per cent between 1987 and 2007" (Palpacuer 2008, 396).

Importantly, research suggests that the financialization of lead firms has implications for the governance and distributional dynamics of (garment) GVCs (Palpacuer 2008). Gibbon (2002) examines the consequences of the "shareholder value" doctrine has on the sourcing decisions of the clothing retail sector, "one of the most heavily financialised in the UK" (Gibbon 2002, 289). Through interviews with 10 leading retailers, he finds that the search for higher financial returns had made *cost* and, some way behind, lead times the most important determinants shaping sourcing geographies (Gibbon 2002, 301). Another analysis suggests that the higher degree of financialization of UK clothing retailers vis-à-vis their French and Scandinavian counterparts is reflected in, on one hand, a greater propensity to engage in supply chain rationalization and require higher-level services and capabilities from suppliers; and, on the other hand, to demand greater flexibility and risk-taking, expecting suppliers to "simultaneously absorb retailers' end-market price reductions" (Palpacuer et al. 2005, 425). In clothing GVCs driven by UK retailers, the authors conclude, "growing pressures from financial markets are […] skewing the distribution of value in favour of shareholders to the detriment of established suppliers" (Palpacuer et al. 2005, 427). That processes of financialization may affect social relations prevailing in GVCs is also suggested by studies of coffee (Newman 2009) and cotton (Staritz et al. 2018), both of which find that the "uneven exposure to price instability" resulting from the ballooning trade in commodity derivatives on Northern stock exchanges has produced adverse distributional outcomes, benefitting international commodity traders while "causing downward pressures on real accumulation at the producer level" (Newman 2009, 541).

All in all, these studies suggest that the financialization of (clothing) lead firms has resulted in "greater institutionalized inequality in the distribution of value between firms within the supply chain", adding downwards pressure on working conditions at the "bottom" of chains (Palpacuer 2008, 400). That the global garment industry is, indeed, highly financialized can be illustrated by a few examples from recent annual reports: In 2018, H&M paid out 127.5% (!) of its after-tax profit – a total of more than 16 billion SEK – as dividends to its shareholders, more than half of which went into the pockets of a single shareholder: the founder's family (H&M 2018, 10); Inditex transferred 65% of net profits to shareholders (Inditex 2018, 314); Gap returned 77% of its net income, split evenly between dividends and share buy-backs (GAP 2018, 22); and Target paid out a total of $1.3 billion as dividends and $2.1 billion as stock repurchase, amounting to 117% of net earnings in 2018 (Target 2018, 38).

3.3.4 The rise of lean retailing and "fast fashion"

A final relevant trend since the 1980s, and particularly the 1990s, is the rise of lean retailing and "fast fashion" (Tokatli 2013; Taplin 2014). As US demand stagnated, the weaknesses of "traditional" retailing models became apparent, not least the risks associated with purchasing large volumes and keeping expansive inventories – inventories, which were getting still larger due to growing consumer expectations. To make matters worse, mounting overcapacity, with growth in retail space by far outpacing consumer spending, meant that "[r]etailers with more and more floor space were chasing fewer and fewer apparel-consumption dollars" (Abernathy 1999, 47). To clear inventories, retailers were forced to make markdowns. In these ways, the combination of sluggish demand, product proliferation and overcapacity in retail and the pressure to cut prices led to a profitability crisis in US retail during the 1980s, with a series of bankruptcies, leveraged buyouts, mergers and acquisitions (Abernathy 1999, 47–48).

It was in this context that lean retailing emerged: in order to avoid the costs of maintaining inventories, retailers leveraged new communication technologies to forge a deeper integration between distribution and production (Appelbaum 2008), By sharing point-of-sale data with their suppliers, giants such as K-mart and Walmart were able to adopt "quick response systems", replacing infrequent large-scale orders with ongoing just-in-time delivery depending on consumers' tastes (Abernathy 1999, 49). As result, as Rosen (2002) describes, "retailers could order, reorder, and rapidly replenish their stocks; suppliers began delivering new merchandise to stores almost constantly" (Rosen 2002, 182). Many retailers, in addition, developed their own private labels in attempts to eliminate costly middlemen and capture the brand rent themselves. This "retail revolution" transformed the relationship between retailers and manufacturers. Increasingly, suppliers were expected to restructure their production to respond to retailers' demands for greater flexibility, shorter lead times and faster delivery, in *addition* to low prices (Rosen 2002, 180-181). "Lean retailing", which became the industry norm by the late 1990s, allowed retailers to shift part of their risks and costs onto suppliers while capturing the bulk of the benefits, including sales increases, stock reduction and avoidance of forecasting error (Taplin 2014, 251).

The principles of lean retailing were further developed by a number of low-cost, fashion-oriented retailers, such as Zara and H&M (Europe), Forever 21 (US) and Uniqlo (Japan). The core of their "fast fashion" business model is to offer small batches of more sophisticated, but affordable, items in order to "encourage frequent store visits and purchases" (Taplin 2014, 248). The diffusion of the "fast fashion" business model has created additional pressures on suppliers. These retailers "have increasingly pushed supply chain rationalization and improved channel integration to force manufacturers to be more responsive to cost, quality and speed of delivery requirements. Shortened turn-around time for manufacturers now complements low price as the essential features for sub-contracting and it provides retailers with opportunities to sell inexpensive, fashion-orientated goods" (Taplin 2014, 246).

3.4 In the global South: Over-capacity and intensified competition

These transformations of the main consumer markets in the global North, and of the accumulation strategies pursued by lead firms, coincided with important shifts in the conditions under which producing countries in the global South engaged with the garment GVC. Four trends deserve attention: (1) The diffusion of productive capabilities; (2) The phase-out of the MFA quota-regime; (3) the onset of a South-South competitive paradigm and (4) the rise of East Asian transnational producers as dominant actors at the tier-1 supplier level. The next section deals with the first three trends, while the following section discusses the fourth.

3.4.1 MFA phase-out and the onset of South-South competition

As argued in the beginning of the chapter, the quota-hopping incentives under the MFA regime contributed to a global dispersion of garment manufacturing, as producers having reached their quotas relocated to countries with unused quotas or no restrictions at all (Staritz 2011). As result, through successive waves of industrial migration, the number of countries engaged in export-oriented garment manufacturing rose significantly from the 1970s to the 2000s (Gereffi 1999). While the brand/retail end of the garment GVC was characterized by a growing concentration, as observed above, the estimated global number of manufacturing firms more than doubled from the 1990s to the early 2010s (Mahutga 2014, 164). Competition was further intensified with the phase-out of the MFA in 2005, and the expiration in 2009 of the temporary safeguards erected against China by the EU, the US and a number of middle-income countries (Staritz 2012, 11).

At the same time, the exodus of garment manufacturing to the South, and the near-extinction of domestic industries in the North, intensified South-South competition (Staritz 2012). Across the garment-consuming countries, import penetration ascended towards 100%. The share of imports in US apparel consumption rose from 19% in 1980 to 95% in 2006; in the UK, it grew from 39% in 1980 to 92% in 2001; and by 2006, Germany and France imported, respectively, 95% and 85% of their clothing consumption (Jones and Hayes 2004, 265; Staritz 2012, 14). This import saturation of major end markets triggered a shift to a paradigm of South-South competition. As Staritz (2012) observes, while earlier, growing end markets with room for further import penetration allowed all emerging garment producers to *simultaneously* increase their exports to the major consumer markets, at the expense of Northern manufacturers, the shift to a South-South competitive paradigm rendered competition between developing countries more intense: Now, the growth of one group of exporters comes at the cost of another (Chan and Ross 2003, 1014; Staritz 2012).

3.4.2 The emergence of giant East Asian middlemen

Another key development was the emergence of giant transnational producers, mainly centred in East Asia. The retail revolution in the North was mirrored by the demand for more capable suppliers, facilitating the industrial upgrading of East Asian manufacturers and their move from simple assembly into full-package supply. At the same time, the internationalization of East Asian manufacturers, driven by rising wages and used-up quotas at home, allowed these firms to take on the role as pivotal "brokers", in what Gereffi (1994) calls "triangular" production networks – an arrangement, where retailers and marketers in the global North place orders with the manufacturers they used to source from in the past, typically based in Hong Kong, Taiwan or South Korea, who then subcontract the simplest production stages to their own network of subsidiaries or independent suppliers in low-wage countries (Gereffi 1994, 114). While these "strategic and pivotal firms" (Azmeh and Nadvi 2014) first emerged in the East Asian "Tigers", similar manufacturing TNCs have recently appeared in Thailand, China and Sri Lanka (Merk 2014, 262). Examples include Hong Kong-based Luen Thai, one of the largest garment manufacturers in the world (employing more than 40,000 people in 18 facilities), Taiwanese-owned Nien Hsing, one of the largest jeans manufacturers, and China's biggest export manufacturer, Dishang, which operates 80 fully-owned factories (Appelbaum 2008, 71-73; luenthai.com; dishang-group.com). Having developed multi-layered sourcing networks, these firms "orchestrate the flows of goods, components, capital, labour and information throughout the circuits of the chain" (Azmeh and Nadvi 2014, 715); and many of them have, successfully, moved beyond garment manufacturing and into retail, logistics and design (Gereffi 1994, 115).

Nadvi and Azmeh (2014) describe how these Asian TNCs rely on highly flexible models of global sourcing. An essential feature of their service to buyers is the ability to rapidly integrate new cost-effective sites of production into their network and dispel less cost-effective ones, taking full advantage of changing trade policies, geopolitical shifts and evolving capital-labour relations. For this purpose, these firms "focus on limiting locational embeddedness in host locations, thus minimising their sunk costs and allowing for faster exit decisions" (2014, 713). The ability of these "tier 1" firms to coordinate and manage supply chains for their customers, with whom they often enjoy long-term commercial relations, has been instrumental in delivering the flexibility and short production runs required by "fast fashion" (Merk 2014)

As flipside, however, they are cautious to make long-term investments, hesitant to engage in long-term relationships with local firms and likely to keep more capital-intensive stages of production at home or in strategically selected locations (Azmeh and Nadvi 2014). Mainly in host countries to access cheap labour and preferential trade preferences, these foreign investors, arguably, have little inherent interest in industrial development. The implications are well put by Appelbaum (2008), when he observes that the emergence giant contractors "make it increasingly difficult for all but the largest firms to engage in anything but low-wage subcontracting, with few of the kinds of spill-over effects that enabled some East Asian contractors to contribute to more generalized economic development as they moved up into high-volume, high value-added production" (2008, 79).

3.5 Implications for garment manufacturers in the 21st century

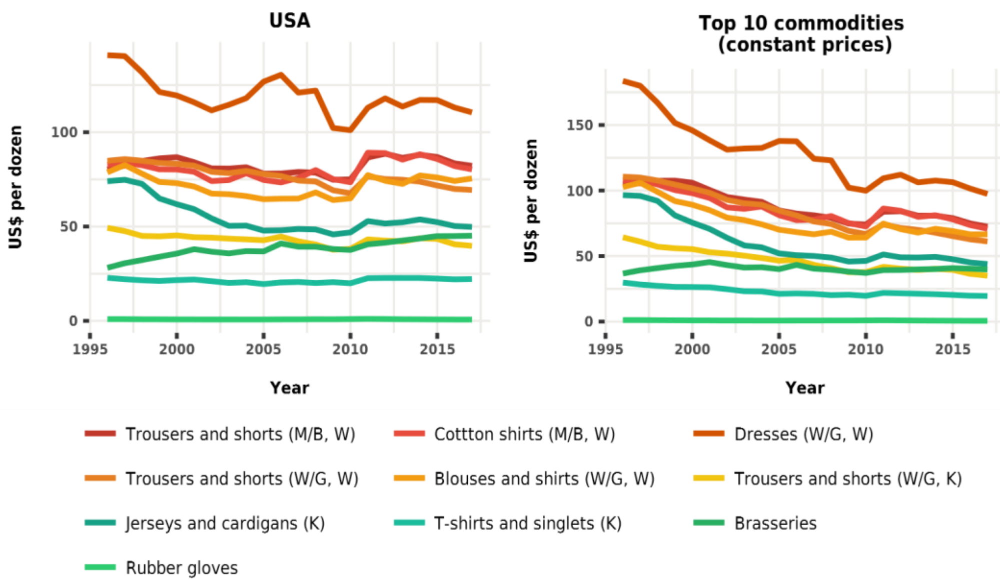
The combined effect of these changes – in the consumer and producer ends of the garment GVC – was a tightening of competitive pressures in manufacturing and the launch of a severe squeeze of suppliers. This situation, in large part due to the aggressive pricing strategies of global buyers, has been widely commented on in academic research (e.g. Barrientos 2008; Miller and Williams 2009; Anner 2018, 2019) and civil society reports (e.g. Oxfam GB 2005; CCC 2008). Rarely, yet, are these distributional dynamics examined in detail. The following sections investigate the changing distribution of value in the garment GVC in light of the transformations discussed above. The first section draws on international trade data to explore how import unit values to the world's two largest consumer markets, the US and the EU, have changed over time, the second section briefly discusses the escalation of non-price requirements, while the third analyses industrial statistics to show how the price squeeze has given rise to a systemically shrinking real surplus, acting as a drain on profits.

3.5.1 Downwards pressure on export prices

A key insight of the Prebisch-Singer thesis was that industrial development in the 'periphery' in the first half of the 20th century was inhibited by a deterioration of the terms of trade of primary commodities, exported by those countries, and the manufactures imported from the 'core'. Since the late 1990s, scholars have observed that a parallel process has been taking place *within* manufacturing (Maizels 2000; Kaplinsky 2006; Kaplinsky and Santos-Paulino 2006). This does indeed appear to the case in the garment industry. The downwards pressure on garment prices is clearly evident in US and EU import statistics.

Figure 3 below plots the unit value (US$ per dozen) of the ten largest clothing commodities (at the 5-digit level of SITC) imported into the US, together representing more than half of all clothing imports in 2017. The left panel represents unit values in nominal terms, while the right panel show the same series in real terms (deflated by the GDP deflator). As seen, nominal unit values of imported garments have in most cases been stagnant or declined since the mid-1990s. Eight of the top ten product categories saw falling unit values over the period, in some cases quite drastic. For instance, the value per dozen knitted or crocheted jerseys and cardigans – the largest product category, which in 2017 represented 16% of all garment imports, plummeted from $74.8/dozen in 1997 to $49.8/dozen two decades later, a fall of 37.6%. Likewise, the unit value of dresses was 22% lower in 2017 than in 1996, while that that of women's and girls' trousers and shorts was 19% lower. The only exceptions to the general pattern are brasseries, whose unit value rose substantially, from $28.1/dozen in 1996 to $45.2/dozen in 2017, and men's or boys' trousers

Figure 4. Unit values of ten biggest clothing commodities imported to the US (1996-2017)

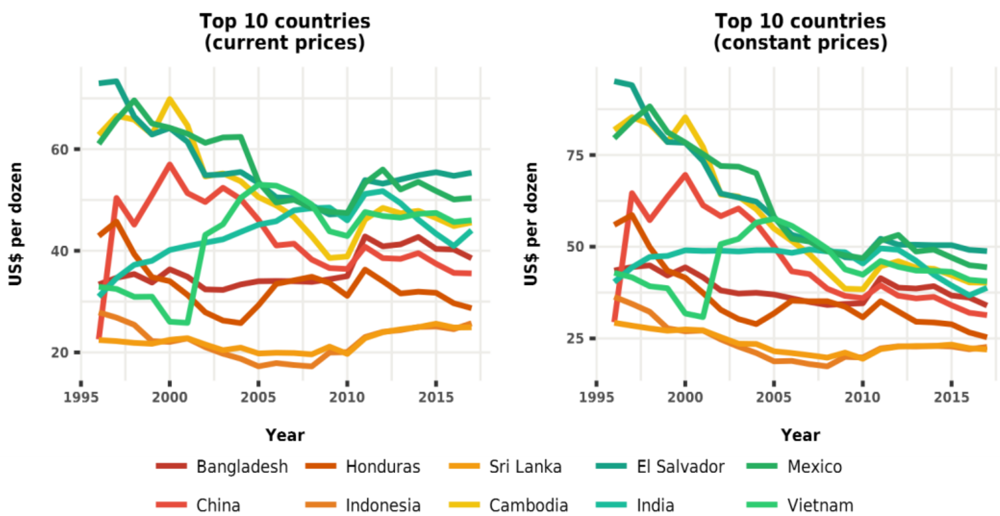


Note: Data on unit values ($/dozen) is downloaded from USITC (2019). Commodities were selected at the 5-digit level of SITC, based on their import values in 2017. The values in the right panel are deflated by the GDP deflator for the US, obtained from OECD.Stat (2019). In the commodity descriptions: "M/B" = men's or boys', "W/G" = women's or girls', "W" = woven and "K" = knit.

and shorts of woven textile materials, the second-largest product group, which declined throughout the 2000s, but – due to an increase since 2010 – ended slightly (2.7%) above its 1996-level. Importantly, these trends are in nominal terms. If dollar inflation is taken into account, as shown in the right panel, declines are – unsurprisingly – much more pronounced, with falling *real* unit values across the board.

Is the squeeze on prices also visible when imports are broken down by supplier countries? Figure 5 shows the average unit value of US garment imports from the ten largest suppliers in 2017. Although the pattern is somewhat less uniform than for products, a downwards trend (measured in current prices) is clearly discernible, in particular during the 2000s. For seven of the ten biggest trading partners, the value per dozen garment items reached a peak *prior* to the MFA phase-out and has been declining since then. By 2017, the value per dozen garments had plummeted by 37% for China (since its high in 1997), by 34% for (since 2000), by 32% for Cambodia (since 2003), and by 28% for Sri Lanka (since 1998). Only Mexico, Honduras and Bangladesh experienced rising unit values in the post-MFA context, and in these cases, declines have set in recently. As above, trends in *constant* prices are negative for all ten suppliers.

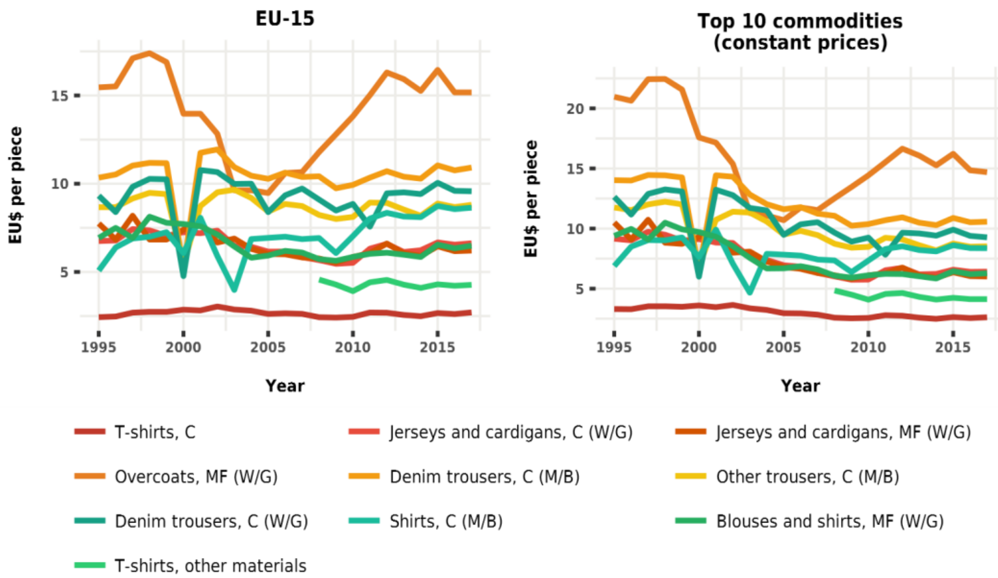
Figure 5. Unit values of clothing imports from the ten largest suppliers to the US (1996-2017)



Note: Data on unit values ($/dozen) is downloaded from USITC (2019). Countries were selected based on total import values in 2017. The values in the right panel are deflated by the GDP deflator for the US, obtained from OECD.Stat (2019).

Figure 6 and Figure 7 report the corresponding series for garment imports into the EU-15, measured in euros per piece. Although EU trade data is available at a more detailed product-level than for the US, aggregating across European reporters (to reach an estimate for the whole region) makes it more sensitive to data gaps and reporting irregularities. Indeed, the greater volatility and sharp drops in certain years suggest that such anomalies may be an issue. With this caveat in mind, nevertheless, the overall pattern for the top 10 commodities is not substantially different from the US: nominal unit values of garment products imported into the EU tend to have stagnated since, roughly, year 2000 (shown in left panel). For instance, the value per piece of the single-most important product, cotton t-shirts (accounting for 7% of all clothing imports in 2017) has remained fundamentally unchanged – around 2.5-3 € – since the mid-1990s, the second- and third-most important commodities, women's and girls' polo or turtleneck jumpers and pullovers of cotton and man-made fibres have hovered around 6-7 €/piece, while men's and boys' denim trousers have remained at roughly 11€/piece. In fact, eight of the nine commodities with available data had lower unit values in 2017 than at their peak before the MFA phase-out. Taking inflation into account (right panel), of course, declines appear even greater: all categories have seen falling *real* unit values since the late 1990s.

Figure 6. Unit values of ten biggest clothing commodities imported to the EU (1995-2017)



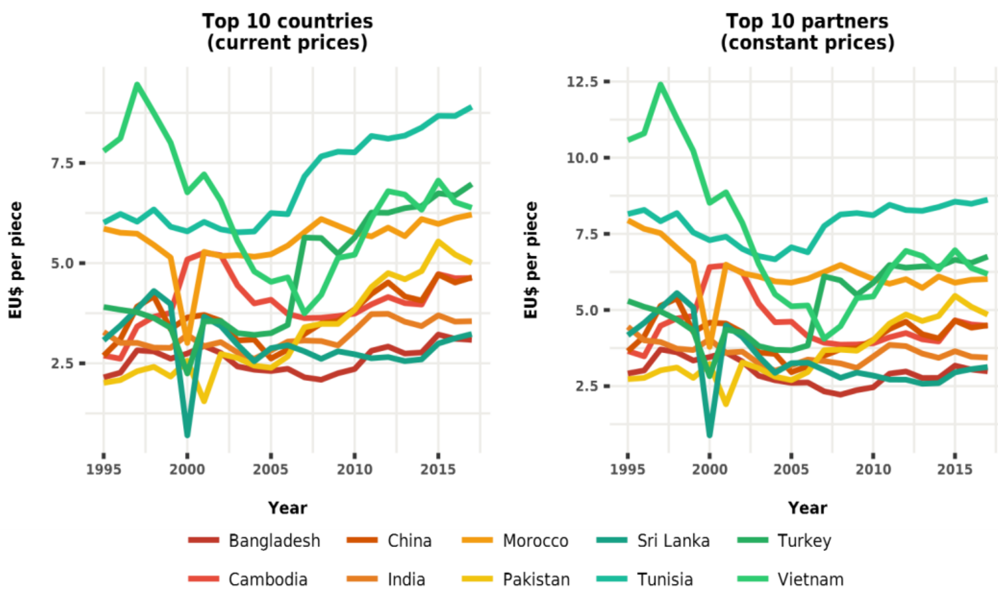
Note: Data on values and quantity is downloaded from ComExt (Eurostat 2019). Commodities were selected based on total import value in 2017. Unit values were obtained by dividing the two series, and only commodity categories with quantity measured by piece are included. The values in the right panel are deflated by the GDP deflator for the Eurozone, obtained from OECD.Stat (2019).

At the level of supplier countries to the EU, the picture seem somewhat less pessimistic than for the US. The general picture appears to be a decline until the mid-2000s, after which the trend has been upwards. Only three suppliers – Vietnam, Sri Lanka and Cambodia – have experienced falling in nominal unit values since the millennium. In real terms, however, trends are more pronounced: Seven countries – the only exceptions being regional suppliers, Turkey, Tunisia and Pakistan, had lower real unit values in 2017 than two decades ago.

Specifically for EU import unit values, it should be noted that the observed trends may also reflect exchange rate movements. In most garment-producing countries except for the regional suppliers to the EU, payments are predominantly denominated in US dollars. This is important, since the euro exchange rate against the dollar rose by, roughly, 50% from 2000 to its peak prior to the global financial crisis and has gradually deteriorated by 30% since then. Therefore, although European buyers appear to have been paying gradually higher *euro*-prices since the mid-2000s, the *dollar*-value of those payments has increased at a slower pace than suggested in the figure.

While the trends discussed above do suggest the contours of a price squeeze on manufacturers in the contemporary garment GVC, it may also mirror the changing composition of imports. For instance, falling unit values may be caused by a lowering of quality, or a turn towards still cheaper suppliers, rather than an actual squeeze on prices for the same products. To examine

Figure 7. Unit values of clothing imports from the ten largest suppliers to the EU (1995-2017)

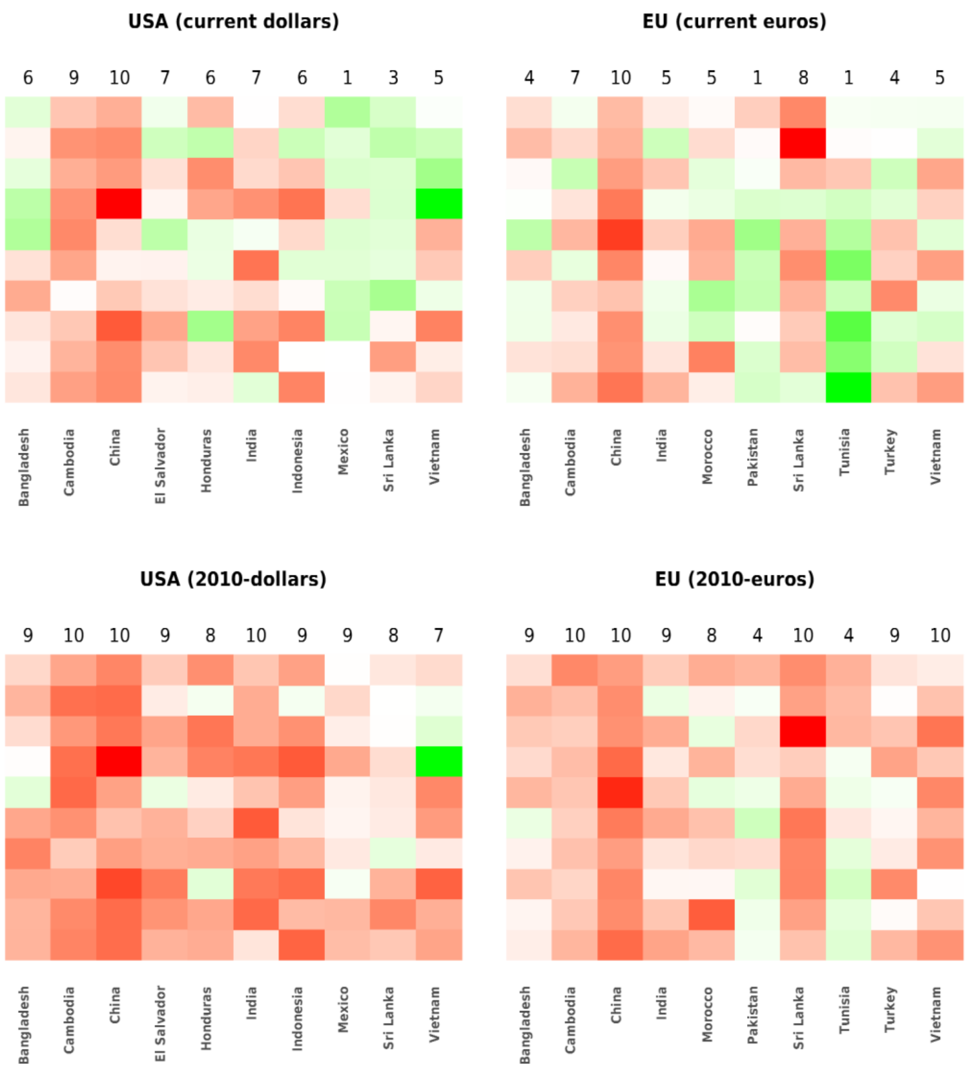


Note: Data on values and quantity is downloaded from ComExt (Eurostat 2019). Countries were selected based on total import value in 2017. Unit values were obtained by dividing the two series, and only commodity categories with quantity measured by piece are included. The values in the right panel are deflated by the GDP deflator for the Eurozone, obtained from OECD.Stat (2019).

whether a price squeeze applies to the *same* commodities imported from the *same* countries, Figure 8 below – as the final take on US and EU import data to be presented here – summarizes the relative change in import unit values of the *ten* largest commodities from *each* of the ten largest suppliers to the US and EU. The colour of the tiles, for each country stacked with the largest product category at the bottom, represents the relative change in unit values, measured from their peak prior to the MFA phase-out (1995-2004) to 2017. The redder the tile, the greater the decline; the greener, the greater the increase. The numbers above the stacks indicate the number of declining commodity categories for each country.

The upper panels represent changes in nominal unit values. As evident, declines since the pre-MFA period are widespread across countries and commodities, both for US and EU. In the case of the US, nominal unit values declined for three-fifths of the commodities (depicted in the upper-left figure). To give a few examples: the value of every pair of trousers and shorts made of woven textile materials imported from Bangladesh – the most important commodity from that country in 2017 – declined by 9.3%, from its peak of 70$/dozen in 2000 to 63.5$/dozen in 2017; in the case of Cambodia, the value of the most important product, knitted or crocheted jerseys and cardigans, fell by 39%, from 60.6$/dozen in 2000 to 36.9$/dozen in 2017; and even more drastically, the unit value of women's or girls' dresses, of knitted or crocheted textile fabrics, imported from China plummeted by 80.7%, from 286.3$/dozen in 1997 to 55.2$/dozen in 2017. For some countries, in fact, deteriorating unit values are evident for the majority of product categories – *all* ten of the biggest garment commodities imported from China have dropped since their peak in the 1995-2004-period; for Cambodia, the figure is nine, for El Salvador and India, it is seven, and for Bangladesh, Honduras and Indonesia, it is six.

Figure 8. Changes in US and EU import unit values – top 10 commodities from top 10 suppliers



Note: Data for the US is downloaded from USITC (2019). For the EU, data is downloaded from ComExt (Eurostat 2019). Countries were selected based on total import values in 2017. The lower figures are deflated by the GDP deflator for the US and the Eurozone, respectively, obtained from OECD Stat.

For the EU, the downwards pressure on prices – again – appears somewhat less intense, with roughly half of the 100 commodities showing falling nominal unit values between their peak in 1995-2004 and 2017. All the ten largest categories imported from China saw falling unit values; for Sri Lanka, it happened for eight, and for Cambodia, India, Morocco and Vietnam, for five.

Once again, it should be stressed that the trends reported in the upper panels are changes in *current* prices, which – in an inflationary environment – underestimates the declines in real terms. As before, the lower panels depict unit values adjusted by the GDP deflator. Unsurprisingly, deteriorations in real unit values are much more prevalent, and increases appear as a rare exception to the general squeeze. Of the 100 garment commodities imported to the US, representing the ten largest product categories from the ten largest suppliers, real unit values dropped in 87 cases; in the case of EU imports, the figure is 83.

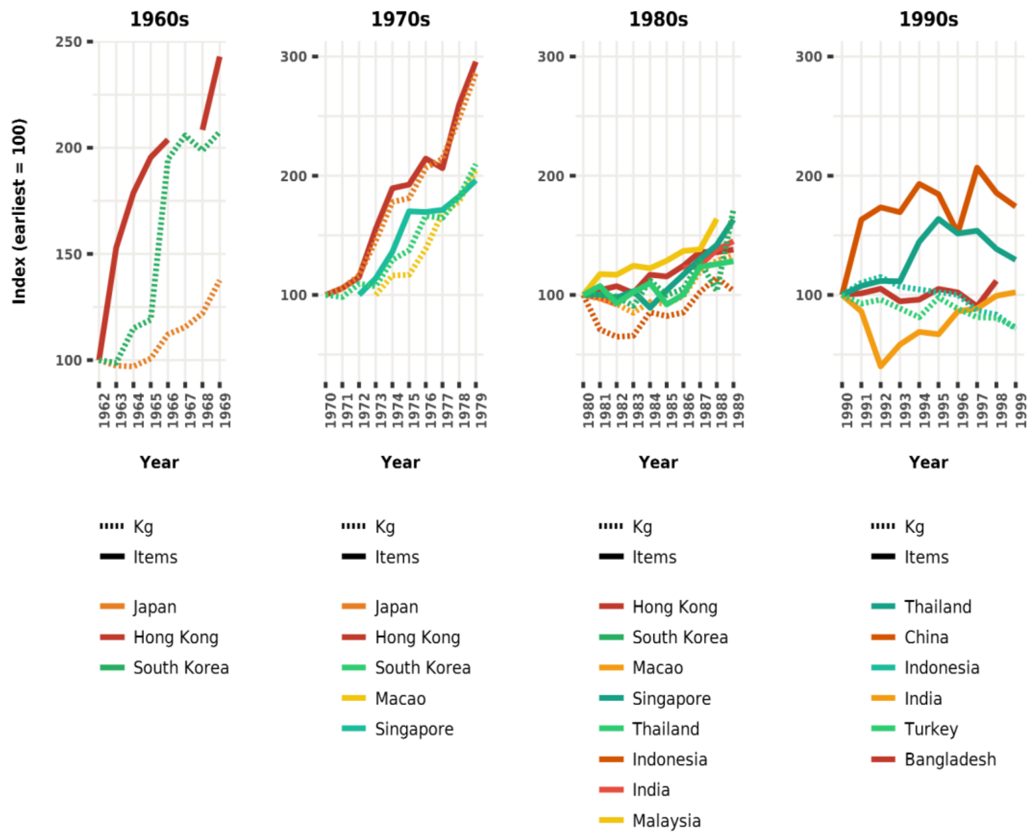
Although these data does suggest some interesting exceptions – for instance, the regional suppliers to the EU seem to be under less pressure than its Asian suppliers – the concern here is the *general* pattern. Above all, the high number of red tiles in the plots, even for nominal unit values, suggests that garment producers in the global South have seen their output command still lower prices from global buyers in the first decades of the 21st century. The analysis, hence, supports the notion of a price squeeze in the contemporary garment GVC. Faced with cut-throat competition in slower-growing economies, characterized by rising inequality and stagnant incomes for large sections of society, retailers and brands with increasingly concentrated buyer power – especially in the US, but also in Europe – appear to have developed an outright *intolerance to price inflation*.

The existence of the price squeeze is corroborated by a recent global survey on purchasing practices in supply chains, jointly conducted by the ILO and the Ethical Trading Initiative (ETI). With responses from 1,454 suppliers in 87 countries, a fifth of which are in the garment industry, the squeeze is strikingly evident. As reported by garment suppliers, the most important sourcing criteria for buyers is price (quoted by 78%), product quality (74%) and speed of delivery (63%). In fact, the downwards pressure on prices is so great that more than half of the garment suppliers – significantly higher than in the full sample – reported having accepted prices that not even covered production costs. When asked about their reasons for taking such orders, four-fifths cited the need to secure future contracts, while half perceived it as an attempt to gain advantages vis-à-vis competitors. Most tellingly of the pressure from global buyers, however, 46% of the garment suppliers, who had taken loss-incurring orders – again, much higher than in the full sample – had been under *threats or pressure from buyers* – and in the case of Bangladeshi and Chinese suppliers, the figure was even higher (ILO 2017b).

Supplementary evidence is provided by the Purchasing Practices Index of Better Buying, a third-party initiative collecting anonymous supplier ratings of brands and retailers in the garment, footwear and household textile sectors. In the fall 2018 report, more than half the 363 participating suppliers reported the exposure to "high-pressure" cost negotiation strategies, a third responded that buyers demand "level prices" year by year, while a sixth was asked for across-the-board price cuts. Common ways to add pressure were "take it or leave it" tactics (reported by 26%), comparing suppliers exclusively on price (23%) and playing suppliers out against each other (20%). Moreover, around a fourth of the suppliers (27%) experienced that buyers did not pay the agreed price, the most common reason being late or unsubstantiated claims about quality defects. The ratings also suggest that the price squeeze is greater on suppliers headquartered in East Asia, and that US buyers are more price-sensitive than European ones, who tend to place more fluctuating, less predictable orders (Dickson 2018a, 2018b).

Interestingly, these price trends seem to differ from those facing manufacturers *prior* to the consolidation of neoliberalism in the global North. Although data on both trade value and quantity are relatively scarce prior to the 1980s, the following figure relies on available export data from UN Comtrade to calculate unit value indices for the major garment exporters since the 1960s. Unit values are based on either weight or units, depending on data availability. As seen, the three producers with data for the 1960s all experienced rising export unit values, most impressively in Hong Kong and South Korea. The favourable trends continued into the 1970s, with South Korea, Macau and Singapore achieving a doubling, and Japan and Hong Kong a tripling. Corroborating this conclusion, Bonacich and Waller (1994) found that the emergence of retailers as major garment importers in the 1970s drove up export prices, as they set prices depending not on cost, but consumers' willingness to pay (1994, 83–84) Although the 1980s were more mixed, all eight suppliers in the graph ended the decade with higher unit values, typically by 30-50%. Finally, during the 1990s, four of the six exporters experienced stagnant or declining export unit values, with Thailand and China being the exceptions. Combined with the above analysis of US and EU import data, it seems fair to argue that the producers successively drawn into and expelled from the garment GVC over the last five decades have suffered gradually worsening conditions. While earlier suppliers – in the context of regulated trade, strong demand growth and less-intense competition – enjoyed favourable, if deteriorating, pricing dynamics, the 1990s marked the beginning of a deflationary trend that only gained full force in the 21st century.

Figure 9. Unit values of clothing imports from the ten largest suppliers to the EU (1995-2017)



Note: Data is downloaded from UN Comtrade (2019). Export values and quantities were extracted for SITC category 841 ("clothing except fur clothing")

3.5.2 Escalation of non-price requirements

While prices are decreasing, however, other requirements – quality, lead times, flexibility and social and environmental compliance – have accelerated. With their lean retailing and fast fashion models, lead firms increasingly expect suppliers to deliver a range of services, from design and input sourcing to stockholding and logistics (Anner 2019, 16). Again, the above-cited surveys provide useful evidence. ILO found that just 17% of suppliers considered orders as having sufficient lead times, that lead times were getting still shorter, and that the problem was especially acute in the garment industry, where a third reported being penalized for late delivery (ILO 2017, 6). In the Better Buying data, more than half (61%) the suppliers indicated that buyers did not pay for samples (Dickson 2018b). Meanwhile, manufacturers are expected to comply with a growing complex of social and environmental standards (Nadvi 2008). In the ILO-ETI survey, 93% of the suppliers were required to follow buyers' codes of conduct, and often at the own expense. Albeit slightly better than in general, only a fourth of the garment suppliers reported that buyers were willing to share audit costs, a fifth that they were rewarded for compliance and a tenth that they received financial assistance (ILO 2017b, 9–10). Along similar lines, Better Buying found that prices received from buyers often failed to ensure compliant production, that more than half (61%) the suppliers were not provided with *any* incentives for compliance – and that just 3% were offered price premiums (Dickson 2018a, 19).

3.5.3 **The tendency of the shrinking real surplus**

As argued in Chapter 2, the distribution of value in GVCs have a priori implications for the unfolding and outcomes of class struggle within chain nodes, as they co-determine the size of the surplus divided between capital and labour. To gauge how the onset of the supplier squeeze shifted the parameters for class struggle in the garment GVC, with implications for social and economic development, Table 1 summarizes how value-added per worker (a measure of labour productivity) has evolved relative to consumer prices in garment manufacturing over the last half century. Specifically, the table depicts the trends in CPI-deflated labour productivity across five time periods: 1963-1975, 1976-1985, 1986-1995, 1996-2005 and 2006-2015. The logic is straightforward: When labour productivity rises faster than consumer prices, manifest in positive CPI-deflated growth rates, real wages and profits can grow together and there is, a priori, better scope for class compromises. Conversely, when productivity lags behind inflation, evident in negative CPI-deflated growth rates, even maintaining real wages erodes sector-wide profits, and class relations are likely to be particularly conflictual. Data is presented in both local currencies, in which workers are most often paid, and in US dollars, in which garments are typically traded. Unfortunately, the data suffers from significant gaps – for instance, Hong Kong and Taiwan are absent in the first period, Bangladesh is missing in recent periods, and data is generally scarce on Caribbean producers, still major suppliers to the US market. Moreover, in several instances, statistics on the garment sector is only available in combination with "leather, leather products and footwear" (see the text below the table for further details on data sources and coverage).

Despite these weaknesses, however, the table provides critical insights into the changing conditions for suppliers in the garment GVC. As seen, in the early phases of globalization of production (1964-1975), garment industries in the North consistently managed to raise labour productivity faster than consumer prices. Whether viewed in dollars or local currencies, these industries recorded positive growth in CPI-deflated value-added per worker, with France, Italy and Spain reaching the highest rates – 123%, 75% and 56% (in local currencies). During these years, declining real labour productivity was a rare phenomenon, typically occurring every fourth to sixth year (the US is an exception, with five negative years out of eleven, but here, the average decline was rather low).

Table 2. Labour productivity growth and CPI in key garment producer countries, 1964-2015

	Local currencies			*US dollars*				
	Labour prod. growth (CPI-adj.)	Number and share of negative years	Avg. decline in negative years	Labour prod. growth (CPI-adj.)	Number and share of negative years	Avg. decline in negative years	Employment peak year	Avg. CPI inflation
Period 1: 1964 – 1975								
Australia	+44%	1 (8.3%)	-5.2%	+68%	2 (17%)	-2.6%	1969	6.2%
Belgium	+50%	2 (17%)	-5.7%	+103%	0	-	1964	5.6%
Canada	+32%	0	-	+40%	1 (8%)	-3.5%	1966	5.0%
France	+123%	2 (17%)	-0.8%	157%	1 (8%)	-9.0%	1964	5.9%
Germany	+23%	3 (25%)	-3.5%	101%	2 (17%)	-3.5%	1966	4.0%
Italy[A]	+75%	2 (25%)	-1.3%	68%	1 (13%)	-1.5%	1971	7.4%
Netherlands	+22%	3 (25%)	-2.7%	74%	3 (25%)	-2.7%	1964	6.4%
Spain	+56%	1 (8%)	-1.8%	63%	2 (17%)	-4.1%	1978	8.9%
United Kingdom[B]	+16%	1 (13%)	-5.3%	6.9%	3 (38%)	-4.2%	1963	12.3%
United States	+9%	5 (42%)	-1.8%	+9%	5 (42%)	-1.8%	1966	4.8%
Japan	+70%	2 (17%)	-6.2%	106%	2 (17%)	-10.2%	1991	7.9%
South Korea	+160%	4 (33%)	-11.5%	15%	6 (50%)	-18.6%	1987	15.1%
Singapore	+25%	5 (42%)	-10.2%	61%	4 (33%)	-11.7%	1979	4.7%
Period 2: 1976 – 1985								
Japan	-4%	5 (50%)	-2.5%	20%	4 (40%)	-5.2%	1991	4.7%
South Korea	+74%	2 (20%)	-4.8%	-3%	5 (50%)	-8.9%	1987	12.4%
Taiwan	+11%	3 (30%)	-14.7%	6%	3 (30%)	-16.2%	1986	6.5%
Hong Kong	+12%	4 (40%)	-3.1%	-29%	5 (50%)	-10.8%	1981	8.8%
Singapore	+46%	3 (30%)	-1.1%	64%	2 (20%)	-3.8%	1979	3.5%
Period 3: 1986 – 1995								
Japan	-5%	4 (40%)	-4.9%	71%	3 (30%)	-4.8%	1991	1.4%
South Korea	+177%	0	-	316%	1 (10%)	-1.8%	1987	5.8%
Taiwan	-26%	6 (60%)	-9.7%	5%	5 (50%)	-8.0%	1986	3.0%
Hong Kong	+36%	3 (30%)	-3.1%	37%	3 (30%)	-3,0%	1981	8.5%
Indonesia	+20%	4 (40%)	-17.7%	-31%	5 (50%)	-27.3%	1997	8.2%
Philippines	+81%	3 (30%)	-8.5%	44%	3 (30%)	-10.3%	1991	9.5%
Thailand	+30%	6 (67%)	-17.0%	35%	4 (57%)	-27.8%	1994	5.1%
Malaysia	+45%	1 (10%)	-1.1%	50%	2 (20%)	-1.7%	2004	2.9%
Bangladesh	-54%	5 (71%)	-15.6%	-65%	6 (86%)	-51.5%	-	16.9%
Period 4: 1996 – 2005								
Cambodia[C]	+8%	1 (20%)	-6.1%	8%	1 (20%)	-6.1%	-	
China	+45%	2 (20%)	-20.1%	47%	2 (20%)	-20.0%	2008	1.6%
India	-13%	6 (60%)	-9.9%	-30%	7 (70%)	-10.5%	-	5.8%
Indonesia	-3%	4 (40%)	-10.6%	-77%	6 (60%)	-27.3%	1997	14.3%
Jordan	+92%	5 (50%)	-16.7%	192%	5 (50%)	-16.9%	2012	2.6%
Malaysia	-9%	4 (40%)	-7.5%	-39%	5 (50%)	-12.3%	2004	2.4%
Mexico	-23%	9 (90%)	-16.8%	-54%	5 (83%)	-17.6%	2010	12.1%
Morocco	+5%	5 (50%)	-2.6%	3%	6 (60%)	-3.9%	2003	1.6%
Peru	-61%	2 (20%)	-39.0%	-71%	5 (50%)	-19.3%	2013	4.4%
Sri Lanka[D]	-3%	3 (50%)	-6.7%	-40%	5 (83%)	-10.3%	-	10.0%
Thailand[E]	-6%	6 (60%)	-4.9%	-49%	4 (100%)	-16.7%	1994	3.3%
Tunisia[F]	+40%	4 (57%)	-10.9%	-4%	4 (57%)		2011	3.0%
Turkey	-65%	8 (80%)	-15.8%	-98%	10 (100%)	-15.6%	2013	50.8%

	Local currencies			US dollars				
	Labour prod. growth (CPI-adj.)	Number and share of negative years	Avg. decline in negative years	Labour prod. growth (CPI-adj.)	Number and share of negative years	Avg. decline in negative years	Employment peak year	Avg. CPI inflation
Vietnam[G]	+27%	3 (43%)		-	-		-	3.6%
Period 5: 2006 – 2015								
Cambodia	-35%	6 (60%)	-7.4%	-35%	7 (70%)	-7.4%	-	5.9%
China[H]	+116%	1 (10%)	-8.7%				2008	2.9%
India	-9%	4 (40%)	-5.4%	-31%	6 (60%)	-7.4%	-	8.5%
Indonesia	+123%	3 (30%)	-7.1%	52%	3 (30%)	-11.5%	1997	6.8%
Jordan	-49%	6 (60%)	-13.4%	-51%	8 (80%)	-11.8%	2012	4.5%
Mexico[I]	-2%	4 (40%)	-6.2%	-32%	3 (60%)	-12.8%	2010	4.0%
Morocco[J]	-10%	4 (40%)	-2.9%	-5%	4 (57%)	-7.3%	2003	1.7%
Peru	-9%	4 (40%)	-11.6%	-7%	5 (50%)	-11.7%	2013	3.1%
Sri Lanka[K]	-20%	4 (40%)	-15.4%	-46%	5 (56%)	-14.8%	-	13.0%
Thailand[L]	-14%	3 (38%)	-3.2%	6%	0	-16.7%	1994	3.0%
Turkey	6%	3 (30%)	-7.8%	-45%	6 (60%)	-9.9%	2013	8.3%
Vietnam[M]	-5%	5 (50%)	-9.7%	-32%	6 (60%)	-14.4%	-	9.5%

Sources: Labour productivity calculated from UNIDO Indstat2 (2019), ISIC 18 (Wearing apparel and fur); CPI from World Development Indicators (World Bank 2019), except Taiwan (National Statistics, Republic of China (Taiwan), 2018) and Hong Kong (Bank of International Settlements, 2018).

Superscripts: A: 1967-1975; B: 1968-1975; C: 2000-2005; D: 1996-2001; E: USD, 1996-2002; F: 1996-2002; G: Local currency, 1998-2005, not available in USD; H: USD, not available; I: USD, 2008-2013; J: USD, 2006-2013; K: USD, 2006-2014; L: Local currency, 2006-2011, USD 2006-2013; M: USD, 2006-2014.

The same pattern applies to the producer countries emerging out of the first and second waves of industrial migration. During the first period, Japan, the first large-scale exporter of garments to Northern markets, recorded substantial increases in CPI-deflated labour productivity – 70% in local currency and 106% in dollar-terms – as did the four "Asian Tigers", South Korea, Hong Kong, Taiwan and Singapore, in the first and second periods (although currency fluctuations resulted in occasional declines in dollar terms)[12]. Most impressively, the South Korean garment industry achieved a 160% surge in real labour productivity from 1964-1975 and a 77% increase from 1976-1985 (in local currency). Also the countries integrated into the garment GVC in the third migration – Thailand, the Philippines, Indonesia and Malaysia – experienced positive growth rates (in local currencies) from 1986-1995, with the exception of Bangladesh. For most of the major garment producers in the first three periods, hence, labour productivity growth was sufficiently large to render real wage increases compatible with rising profits.

From the mid-1990s onwards, however, a new pattern emerged. In the period 1996-2005, real labour productivity measured in local currencies *declined* in eight out of 14 of the major exporters with available data; in dollar-terms, it dropped in nine out of 13. The steepest drops were recorded in Turkey, Peru and Mexico, while Jordan, China and Tunisia saw the largest increases. Compared to earlier periods, moreover, years with falling real productivity became more common, typically occurring at least every second year. These trends continued after the MFA phase-out.

[12] Data on Hong Kong and Taiwan is not available for period 1.

In the period 2006-2015, whether assessed in local currencies or dollars, labour productivity lagged behind living costs in nine of 12 major garment exporters, for which data is available. In seven countries – Jordan, Sri Lanka, Turkey, Cambodia, Mexico, Vietnam and India – the drops exceeded 30% in dollar-terms; but as depreciating exchange rates vis-à-vis the dollar acted as a cushion against the price squeeze, declines were less pronounced in the local currencies, in which workers are typically paid. Nevertheless, negative real growth was common, typically hitting every second to third year, and severe declines were experienced by the garment industries in Jordan (-49%), Cambodia (-35%) and Sri Lanka (-20%).

As this interrogation of UNIDO data reveals, today's garment exporters face a structural barrier unknown to earlier industrializers: The inability to unleash productivity improvements large enough to offset rising consumer prices. As result, while declining real labour productivity was an oddity in the Northern garment industries and the Asian suppliers drawn into the garment GVC in the first waves of industrial migration, it has become the order of the day in the 21st century. What accounts for this deterioration? Higher inflation rates in new producer countries likely played a part, as some of the steepest declines coincided with double-digit inflation (on average), such as in Bangladesh (1986-1995), Turkey (1996-2005) and Sri Lanka (2006-2015). In general, however, consumer price inflation in today's garment producers is not significantly higher than in neither the North nor the South from the 1960s to the 1980s. Rather, the new trend of dwindling real labour productivity coincided with the onset of the price squeeze in the mid-1990s, as detailed above. Caught between falling export prices and rising living costs, manufacturers now find themselves in a structural profit squeeze, in which even *maintaining* workers' living standards encroaches on profitability. In these ways, the typical producer country can be said to suffer from a *structurally shrinking real surplus* that militates against real wage increases and other aspects of social upgrading.

Two points of clarification are in place. First, there are exceptions to the general pattern trend, most notably China and Indonesia, whose garment industries achieved more than a doubling of real value-added per worker from 2006-2015. These exceptions call for further inquiry, which is unfortunately beyond the scope of the thesis. Second, the argument is *not* that higher real labour productivity in earlier industrializers necessarily translated into rising real wages or better conditions. Indeed, research suggests that garment workers in Hong Kong, South Korea, Taiwan and Singapore toiled comparably long hours for comparably low wages (Deyo 1989). Rather, the claim is that the dynamics of value-capture were more *conducive* to both social and economic upgrading – and that the suppression of workers' living standards were in these cases less a result of world market pressures than of state-led development strategies aimed at maximizing capital accumulation to spur rapid industrialization.

3.5.4 Supplier squeeze = labour squeeze?

Recently, scholars have brought attention to the ways in which the squeeze of manufacturers in the garment GVC affects wages, working conditions and labour rights. Anner, Bair and Blasi (2013) observed that the trend of declining unit values of US garment imports, in particular since the late-1990s, correlate with a deterioration in workers' associational rights in the top 20 supplier countries, measured by the Cingranelli-Richards Human Rights Dataset (2013, 12). Substantiating this claim, Anner (2019) examines the changing situation of Bangladeshi garment workers since the Rana Plaza collapse in 2013 and concludes, through a survey of 223 suppliers and 188 workers, that the "'price squeeze' impacts workers in the form of low wages and increased work intensity", whereas the "sourcing squeeze" gives rise to "chronic and forced overtime, and unauthorized outsourcing to unsafe factories" (2019, 2). In the case of Vietnam, Anner (2018) finds that lead firm purchasing practices undermine the effectiveness of worker-management committees designed to improve labour standards, as the pressure on prices and lead times makes factories hesitant to address the cost- or time-sensitive issues of importance to workers (2018, 93).

The negative impact of the supplier squeeze on labour in the garment GVC is also witnessed by the ILO/ETI and Better Buying surveys. Three-fourths of the suppliers surveyed in the former report that buyers are unwilling to reflect minimum wage increases in their prices, and in some countries, the share was even higher, e.g. 83% in Bangladesh. For for the buyers that *are* willing adjust prices, moreover, suppliers on average had to wait 12 weeks, before they were able to incorporate wage increases (ILO 2017b, 9). Examining the effect of buyers' purchasing practices on labour standards through statistical analysis, the report finds that suppliers who are exposed to below-cost prices tend to pay significantly lower wages, as do suppliers who are expected to be fully flexible and whose sales are dominated by a few buyers (2017b, 14). Furthermore, more than half (59%) the suppliers saw insufficient lead times as a direct cause of overtime – a conclusion, which was also confirmed by statistical analysis (ILO 2017b, 17). Similarly, Better Buying found a significant correlation between suppliers' exposure to high-pressure pricing strategies and non-compliant production (Dickson 2018b, 9).

3.6 Conclusions

Mapping the evolution of the garment GVC over half a century, this chapter has argued that a number of changes in consumer markets in the global North and producer countries in the South have fuelled a severe squeeze on garment suppliers. The consequence is not just a deflationary trend in export prices, but also a constant increase in buyers' requirements to lead times, flexibility and compliance with social and environmental standards. As shown by the analysis of industrial statistics above, manufacturers in the 21st century garment GVC – unlike Northern ones prior to launch of the neoliberal "globalization project" and Southern ones in the first rounds of industrial relocation – suffer from what is here called the "tendency of the shrinking real surplus". In a pinch between falling export prices and rising living costs, today’s garment manufacturers face severe obstacles to raising value-capture in line with workers’ reproduction costs – a condition that gives rise to the peculiar problem that even *maintaining* real wages erodes profitability. Equipped with insights from Latin American structuralism and dependency theory, it can be argued that these pricing dynamics amount to a form of unequal exchange, a systemic drain on surplus value that inflicts a structural profit squeeze on manufacturers and incites what Marini (1973)called super-exploitation. In this setting, capitalists are – for their very survival – required to pay declining real wages, push workers beyond exhaustion, evade social security contributions, compromise building safety, suppress workers’ attempts to mobilize and so on. In these ways, the governance and distributional dynamics of the garment GVC can be seen as a crucial co-determinant of the local-level class struggles explored in the remainder of the thesis.

CHAPTER 4

Case background: Context, emergence and key features of garment industries in Cambodia (and Vietnam)

4.1 Chapter introduction

During the 1990s, another round of industrial relocation altered the geography of the garment GVC, pulling Cambodia and Vietnam (and others) into its circuits. As a background to the core analytical chapters, 5 to 8, this chapter introduces the cases. Reflecting the weighting of the cases, the bulk of the chapter focuses on the Cambodian case, while the Vietnamese is introduced towards the end. The chapter consists of seven sections.

Section 4.2 draws the contours of Cambodia's recent history, focusing on the triple transition to capitalism, peace and democracy. Following this, section 4.3 describes how, from the mid-1990s, garment factories sprang up, as quota-hopping East Asian manufacturers were attracted by generous investment incentives, an abundant supply of cheap labour and privileged access to the major consumer markets. After that, section 4.4 provides a brief overview of some of the key features of the Cambodian garment industry, including its ownership structure, low-value orientation and end markets. Section 4.5 gives an introduction to the legal-regulatory framework governing capital-labour relations in the Cambodian garment industry, including its labour laws and the governance mechanisms established under the 1999 bilateral trade agreement with the United States. The section argues that the Cambodian case can be considered as a crucial case for the mainstream, Polanyian conception of social upgrading. Section 4.6 clarifies the social trajectory of the Cambodian garment workforce by examining trends in "measurable standards" – minimum wages, take-home pay (including bonuses and overtime) and social protection – and "enabling rights" since the arrival of the factories in the mid-1990s.

Section 4.7 provides a shorter introduction to the garment industry in neighbouring Vietnam, which – despite its completely different historical roots, ownership structures and industrial relations regime, has experienced a social trajectory quite similar (although, as will be seen, different in important respects) to that of Cambodian garment workers. Taken together, it is argued, the cases can be seen as a most-different systems design, begging the question of what common causal mechanisms may account for the similar social trajectories. Section 4.8 concludes.

4.2 Political and economic context: Cambodia's triple transition

Few countries have a more tumultuous history than Cambodia. In a pinch between powerful neighbours, total annihilation was only avoided, as the French Empire in 1863 made the country a protectorate as part of French Indochina. With growing discontent over the foreign administration, however, King Sihanouk in 1953, a decade after he was installed by the French, started a worldwide campaign for independence. In 1954, the Geneva Convention dismantled the French colonies in Indochina, and the following year, the king abdicated the throne to take up the position as president (Chandler 2009). What is often seen as a "Golden Age" was interrupted, as Cambodia was drawn into the Vietnam War. Between 1965 and 1973, US forced carpet-bombed the country, throwing more ammunition than the Allies during the entire WWII (Strangio 2014, 11). After King Sihanouk cut ties with Washington, he was toppled in a 1970 coup that placed the general Lon Nol as head of a pro-US republic. Backed by the Americans, Lon Nol waged a holy war against the Vietnamese-supported communist insurgents. Gradually, however, the general lost control, and in 1975, Phnom Penh fell to the communist Khmer Rouge. Over the next four years, the Khmer Rouge, led by Pol Pot, presided over "Democratic Kampuchea", an extremely repressive, xenophobic and isolationist terror regime whose genocide took the lives of a quarter of the population (Strangio 2014, 1–20).

In response to Pol Pot's increasingly anti-Vietnamese rhetoric, Hanoi started planning the instatement of a pro-Vietnamese communist party in Cambodia. In early 1979, a Vietnamese-backed army made up of refugees and Khmer Rouge defectors succeeded in overthrowing Democratic Kampuchea. To lead the new state – the People's Republic of Kampuchea (PRK) – a communist party was established, headed by a six-man-strong leadership. Youngest among them was Hun Sen – a former Khmer Rouge military officer who had fled across the border in 1977 to escape Pol Pot's purges (Gottesman 2004; Strangio 2014, 21–31). Initially chosen as foreign minister, Hun Sen was promoted to prime minister in 1985 and remains in power today, currently as the world's fifth longest-ruling political leader. The liberation gave way to a decade-long Vietnamese occupation and civil war. In a proxy that reflected the superpower-antagonism of the times, the civil war was fought between the Phnom Penh-based PRK, backed by Vietnam and the Soviet Union, and an odd alliance amassed from the remnants of the three prior post-independence regimes: the communist Khmer Rouge, the royalist front, FUNCINPEC, led by Prince Sihanouk, and figures from the pro-US republic (Hughes 2003, 1–2; Gottesman 2004, 139–40; Strangio 2014, 28–29).

As Hughes (2003) has observed, the late 1980s and early 1990s marked a triple transition for Cambodia – from war to peace, from command economy to capitalism and from authoritarian rule to multi-party democracy (2003, 1). Since the political economy emerging from the ashes of the old regime is important for understanding Cambodian garment workers' struggles for social upgrading, in particular their relations to the state, the next sections briefly sketch out the triple transition.

4.2.1 From war to peace

As a typical Cold War proxy, the solution to the Cambodian civil war was, ultimately, produced by geopolitical realignments. In the mid-1980s, the presence of Vietnamese troops in the country became an obstacle to Gorbachev's efforts to normalize relations with China, part of a wider disengagement of the Soviet Union from its entanglements in Asia. The peace settlement was, thus, part of a superpower compromise, in which the Soviet Union, China and Vietnam decided "to remove Cambodia as a central irritant in their bilateral relations" (Brown 1991, 88). After a meeting with the Soviet foreign minister in 1987, the Vietnamese government announced the withdrawal of its troops, the last of which left in 1989; and in 1991, after a series of discussions, the four parties of the conflict signed a peace accord in Paris (Um 1990, 96; Gottesman 2004, 277–78). The agreement installed an interim government and put the country under administration of the United Nations Transitional Authority in Cambodia (UNTAC), tasked with overseeing the withdrawal of foreign troops, coordinating demobilization and organizing a free and fair election in a "neutral political environment" (Strangio 2014, 42–43).

4.2.2 From command economy to capitalism

During the 1980s, moreover, it became increasingly clear that Cambodia was heading towards capitalism. The drivers were both economic, political and geopolitical. Despite attempts to re-collectivize the economy, land was increasingly exchanged in markets beyond state control (Hughes 2003, 28). Local state officials started selling and buying land to and from each other, hiring labour to work on it; and with the best land sold off, people experiencing poor harvests and food shortages turned their back on the collectives, while the authorities, for their part, turned a blind eye to the re-emergence of private enterprise (Gottesman 2004, 272–76; Strangio 2014, 31). At the same time, a growing black market for goods smuggled over the Thai border resulted in a substantial trade deficit, exerting pressure on the regime to open its borders to foreign investment and trade (Hughes 2003, 29; Gottesman 2004, 283–99).

The capitalist transition had political motivations too. As Hughes (2003) points out, the PRK – with a population that "distrusted both the communist and Vietnamese orientation of the new regime" – from the beginning found itself in a crisis of legitimacy (Hughes 2003, 21; Strangio 2014, 32). To avoid resistance from a populace with a hyper-repressive regime in fresh memory, the PRK tolerated the emergence of private markets. Irrespective of ideological commitments, thus, the reality in Cambodia by the early 1980s resembled a "laissez-faire market and general social indiscipline" (Vickery 1984, 250). Moreover, with a negligible party membership and a near-total lack of qualified candidates for the bureaucracy, the personal enrichment of officials from private economic activities was increasingly seen as a deliberate strategy to build a loyal state apparatus (Gottesman 2004, 299–300; Strangio 2014, 36). As Göttesman (2004) notes, for "Hun Sen and much of the rest of the leadership, a permissive system of this sort was the key to consolidating power"

(2004, 300). In these ways, the emergence of de facto private ownership in Cambodia was intricately linked to the state-building efforts of the PRK, aiming to secure legitimacy and internal cohesion. Consequentially, by the end of the 1980s, all echelons of the regime – from local officials to top leadership – had a personal stake in economic liberalization (Gottesman 2004, 280–81).

If these economic and political dynamics progressively hollowed out Cambodian communism from within, the final push came from the outside (Gottesman 2004, 276–82). The crumbling of Communist bloc caused an abrupt cut-off of aid from the Soviet bloc, which, given an international embargo and the unwillingness to extract surpluses from the peasantry, made up 80% of the Cambodian state budget at the time (Hughes 2003, 31). Facing a future on its own, the PRK leadership decided to embrace the private-property regime upon which its legitimacy already rested, rather than having to compete politically against a future capitalist opposition (Gottesman 2004, 282).

As elsewhere in the collapsing Second World, the climax of Cambodia's capitulation to capitalism took place in the years 1989-1991. In 1989, the Hun Sen government reintroduced private ownership of land and dismantled the dysfunctional collectives (Um 1990, 102). Later that year, the National Assembly passed a series of a constitutional amendments that recognized private property, private enterprise and free markets. Moreover, the name of the country was changed, Buddhism reintroduced as official religion and a new flag and national anthem were adopted, all stripped of ideological references (Gottesman 2004, 303; Slocomb 2010, 182). State-owned enterprises were sold off, subsidies reduced and foreign investment permitted (Hughes 2003, 32). The make-over was completed in 1991, where the KPRP renamed itself "Cambodia People's Party" (CPP), officially abandoning its Marxist-Leninist ideology and distancing itself from its communist past (Vickery 1994, 110; Strangio 2014, 50). In sum, these reforms initiated a "period of rapid and virtually unregulated privatisation" in Cambodia (Slocomb 2010, 282), effectuating what Vickery (1994) described as an "all-out leap into a laissez-faire free market" (1994, 115).

4.2.3 From one-party rule to multi-party democracy

The final transition – from one-party rule to multiparty democracy – was completed with the UN-sponsored election held in May 1993. With the Democratic Kampuchea (DK) boycotting the election, the remaining three factions – CPP, FUNCINPEC and the Buddhist Liberal Democratic Party (BLDP) – as well as a number of smaller parties, ran for office. Despite having monopolized the state apparatus for more than a decade, and notwithstanding an aggressive intimidation campaign against rival parties, the CPP found itself losing to FUNCINPEC, headed by Prince Ranariddh (son of King Sihanouk). However, after a dramatic (and most likely engineered) secession crisis, FUNCINPEC agreed to share power in a coalition government with CPP, Prince Ranariddh and Hun Sen sharing the post as prime minister. With the new government in place, the National Assembly in September 1993 adopted a new constitution, drafted by international experts, which formally transformed Cambodia into a "liberal multi-party democracy", guaranteeing human rights and the rule of law (Strangio 2014, 58–59).

4.3 The rise of export-oriented garment production in Cambodia

Although garment manufacturing can be traced to French colonial rule, and the Sihanouk regime established a state-owned textile company, the rise of the garment industry as a dominant feature of Cambodia's political economy took place in the context of the triple transition described above (Staritz 2011; Chhair and Ung 2016) . With an industrial base devastated by the civil war, the new coalition government soon after the 1993 election, guided by the IMF and the World Bank, introduced a policy package aimed at integrating the country into the global economy. Trade policies were further liberalized during the early 1990s, with the bulk of quantitative restrictions removed. In 1994, a new Law of Investment was adopted, providing generous incentives for foreign investors. In 1997, an Industrial Development Action Plan (1998-2003) was formulated, which sought to promote export-oriented, labour-intensive industries. In 1999, Cambodia obtained membership of ASEAN, and in 2004 became a member of the WTO(Chhair and Ung 2016, 216). In contrast to other garment-exporting countries, including neighbouring Vietnam, thus, the establishment of the industry in Cambodia skipped a phase of domestically-oriented import-substitution, going straight for an export-oriented strategy based on foreign investment (Staritz 2011).

Investors in the garment industry, the first arriving in Phnom Penh in 1994, were attracted by three factors. Firstly, the new Cambodian government instituted a highly investor-friendly regime. Not only did the new investment law allow 100% foreign ownership, promise non-discrimination of foreign companies and guarantee against nationalisation and price controls; to attract FDI, it also specified a number of tax incentives, including a special corporate tax rate of 9%, tax holidays of up to eight years, tax-free reinvestment of profits, tax-free repatriation of earnings and full exemption of import duties (Bargawi 2005, 7).

Secondly, foreign investors were tempted by a cheap, abundant and largely unregulated labour force (Arnold and Toh 2010, 406). In the mid-1990s, Cambodia resembled a typical "labour surplus" economy of the kind described by Lewis (1954). As will be discussed in more detail in the next chapter, a number of factors served to augment the labour surplus, and wage costs were among the lowest in the region at the time. According to research by Jassin-O'Rourke Group, by 2008, Cambodia had the second-lowest hourly labour cost in Asia (0.33$/h, including social contributions), only higher than in Bangladesh (0.22$/h) (2008, 6). The ability to draw on practically unlimited supplies of low-wage labour was, clearly, a pull factor for incoming investors.

Thirdly – and perhaps most importantly – foreign investors were drawn by Cambodia's privileged access to major consumer markets in North America and Europe. Not yet a member of the WTO (it became so in 2004), the country was not subject to MFA restrictions, but enjoyed quota-free access to the US and EU markets. With other garment-exporting countries in the region, in particular Thailand and Malaysia, hitting their quota limits at the time, the promise of unrestricted exports became an important motive for capital, pre-dominantly East Asian transnational manufacturers, to relocate their factories to Cambodia (Slocomb 2010, 269). Garment production, thus, entered Cambodia as part of the same quota-hopping pattern that had, in earlier rounds of relocation, dispersed production across the world. Market access were further improved, when Cambodia, rewarded for the compliance with the conditions of its first structural adjustment programme with the IMF, was granted most-favoured nation (MFN) status by the US in 1996 and GSP treatment in 1997 (Slocomb 2010, 269)(Slocomb, 2010: 269). In 1997, a framework agreement on cooperation with the EU under its GSP was negotiated, entering into force in 1999, which gave Cambodia quota- and duty-free access to European markets. In 2001, these conditions were extended under the Everything But Arms (EBA) programme for least-developed countries (Staritz 2011).

The greatest impetus to the expansion of the garment industry, however, was the US-Cambodia Trade Agreement on Textiles and Apparel (TATA), signed in 1999. As garment exports to the US soared in the late 1990s, the US government, with the usual aim of protecting domestic manufacturers, sought to bring Cambodia under the MFA quota system (Staritz 2011). The resulting agreement (1999-2001) – in ways that remain historically unique – explicitly linked access to the US market to compliance with international labour standards and domestic labour laws. Insofar as Cambodia succeeded, the allocated quotas were, as Staritz (2011) observes, "the most generous on a per capita basis among all countries". The agreement granted Cambodia automatic quota-increases of 6% per year, plus an additional 14% conditional upon improved compliance (Shea et al. 2010, 88). Based on Cambodia's performance, quotas to the US market were raised by 9% per year in 2000 and 2001; and after the agreement was extended for three more years (2002-2004), quotas were again increased by 9% in 2002, 12% in 2003 and 18% in 2004 (Staritz 2011). Although the agreement expired with the phase-out of MFA by the end of 2004, the steady quota enlargement in the initial phases was, without a doubt, a major driver of industrial expansion.

Based on these factors – a lucrative investment regime, cheap and abundant labour and privileged market access – the garment industry in Cambodia, from the first foreign-owned factories were set up in 1994, mushroomed at an explosive pace. The number of garment factories increased from 20 in 1995, employing around 20,000 workers, to 250 factories providing jobs for almost 300,000 workers ten years later (Slocomb 2010, 269). Although the industry was severely hit by the global financial crisis in 2008-2009, growth quickly recovered, and the number of factories by the end of 2015 exceeded 600 (ILO 2016a). Quickly, garment manufacturing emerged as a hugely important contributor to the Cambodian economy. Throughout the 2000s, garment and footwear accounted for roughly 80% of total exports, and by 2005, the sector accounted for 15% of GDP, up from 1% in 1993 (Beresford 2009, 366). Indeed, except for 2009, the value of garment exports has increased every year, increasing – although admittedly from a low base – more than

200-fold in two decades, from US$27 million in 1995 to more than US$6 billion in 2015[13]. In addition, since the mid-2000s, a sizeable footwear sector has emerged. In 2018, 83 footwear factories employing more than 100,000 workers exported for $1 billion.

4.4 Key features of the Cambodian garment industry

While the development of the garment industry in Cambodia is examined in detail in chapters 5 to 7, a general introduction to the sector and some of its key characteristics is useful from the outset. The following sections briefly sketch out the ownership structure of the industry, its low value orientation, product composition, end markets, geographical distribution and workforce characteristics.

4.4.1 Total dominance of foreign investors

With little prior experience and an underdeveloped industrial base, the establishment of the garment industry in Cambodia was driven entirely by foreign capital, particularly East Asian transnational producers (Natsuda et al. 2010, 469–70). A key characteristic of the industry, hence, is a total dominance of foreign investors. According to the membership figures of the Garment Manufacturers' Association of Cambodia (GMAC), foreign ownership in 2008 accounted for as much as 93% of the garment factories. Investors from Taiwan represented 25% of the garment factories, while Hong Kong accounted for 19%, China for 18%, South Korea for 10%, Malaysia for 5% and Singapore for 4%. Only the remaining 7% of factories were reportedly owned by Cambodian investors, and fieldwork suggests that the actual figure is even lower. This ownership structure, as Staritz (2011) observed, severely restricts the ability for garment factories in Cambodia to engage in economic upgrading – moving into higher value-added products, processes and functions. With the bulk of factories being subsidiaries of East Asian garment producers, decisions on investments in new technologies, products and so on are made outside of Cambodia.

4.4.2 Low value production

Since its establishment, the Cambodian garment industry has been – and, despite recent signs of upgrading, remains – concentrated in the lowest segments of the garment GVC. Garment producers in the country are typically integrated into triangular production networks, in which North American and European buyers source garments from East Asian TNCs, who, in turn, have the orders produced in their Cambodian subsidiaries. The vast majority of factories perform only the most labour-intensive stages – cut, make and trim (CMT) – with the more advanced functions, including sourcing of fabrics, logistics and design, managed by headquarters abroad. A survey by

[13] Data from UN Comtrade, HS codes 61 and 62.

Yamagata et al. (2006) found that 87% of the 164 garment manufacturers interviewed were exclusively involved in sewing, while, in 2007, GMAC reported that 60% of the garment factories in the country were restricted to CMT, 15% did simple subcontracting, while 25% offered "full package" supply (known as FOB) (Staritz 2011). Fieldwork, however, suggests that the share of FOB might be inflated, as some factories considered themselves FOB, simply because mother companies, located outside of Cambodia, did the sourcing of fabrics.

4.4.3 Main products

Cambodia's peripheral position in the garment GVC also manifests itself in relatively simple, low-value products. During the 2000s, according to calculations based on UN Comtrade, the five largest export categories in terms of value ($) were jerseys, pullovers and sweatshirts (27%), women's or girls' trousers (24%), men's or boys' trousers (16%), women's or girls' blouses and shirts (6%) and women's and girls' nightdresses and pajamas (6%)[14]. Product concentration was high, with the ten largest export categories accounting for 93% of total exports in the 2000s.

4.4.4 Buyers and end markets

In terms of end markets, the US – due to the steadily rising quotas under TATA – was by far the most important buyer in the early phases of the garment industry. During the 2000s, 67% of all garment exports (by value) were shipped to the US, while 24% were destined for the EU market (EU-15), 5% for Canada and 1.2% for Japan[15]. Over the previous decade, however, the share of the US has decreased markedly. In 2018, the EU had become the largest market, accounting for 43% of garment exports from Cambodia, while the US represented 26% and Japan 9%. The largest buyers in Cambodia are retailers such as GAP, Target, H&M and C&A.

4.4.5 Factory location

Most garment factories are located in or around the capital, Phnom Penh. A mapping done by the Cambodian Centre for Human Rights (CCHR) found that of the 558 garment factories that were in operation in 2013, 394 (71%) were located in Phnom Penh, 82 (15%) in Kandal province, 28 (5%) in Kampong Speu province and 16 (3%) in Sihanoukville province (see map on page #)[16].

4.4.6 A young and female workforce

Finally, it can be noted that the Cambodian garment workforce is characteristically young and female. Based on the Cambodia Socio-Economic Survey (CSES), Heintz (2007) estimated that

[14] Data from UN Comtrade, HS 61 and 62 (4-digit level).
[15] Own calculations based on UN Comtrade.
[16] The map is available on Sithi.org.

women in 2004 accounted for 81% of total employment in the garment industry, that 73% of female garment workers were between 15 and 24 years old and 93% below the age of 35. Based on the most recent CSES, ILO (2018b) paints a similar profile of Cambodian garment workers. Not much has changed. In 2016, 79% of all garment workers are female – 923,000 in absolute numbers – and although the workforce has become slightly older, 84% of all female garment workers were less than 35.

4.5 Cambodia's progressive governance regime

Although the Cambodian garment industry, as so many labour-intensive industries in the global South, was from the outset situated in the lowest segments of the GVC, its emerging labour rights regime soon set it apart from its competitors. Two aspects are highlighted here: (1) Cambodia's progressive legal framework, including its constitution, domestic labour laws and accession to international conventions; (2) The innovative governance mechanisms put in place under the 1999-2004 trade agreements with the US, in particular the still-running ILO Better Factories Cambodia (BFC) programme.

4.5.1 Domestic legal framework and international conventions

As part of the post-conflict reconstruction of Cambodia, the country's legal-institutional system was given an almost complete overhaul. Under heavy influence of the international community, a series of reforms "from above" – what Slocomb (2006, 260) describes as a "pre-packed assembly kit complete with notions of civil society, good governance, decentralization, gender equality and human rights" – resulted in a legal framework that is, by international standards, fairly comprehensive and progressive (Ward and Mouyly 2016, 260). The 1993 constitution for the first time recognized the rights of Cambodian workers to associate, form unions and strike; and the 1997 Labour Law, drafted with input from the ILO, the French government and a US labour group, today part of the American Center for International Labor Solidarity (ACILS), has been described as "among the most extensive and far reaching in Asia" (Frost and Ho 2006, 43). In addition to these domestic laws, Cambodia has endorsed all eight ILO core conventions, including the conventions on freedom of association and protection of the right to organise (Convention 87) and the convention on the right to organise and collective bargaining (Convention 98)(Salmivaara 2018, 334).

Accordingly, Cambodian garment workers – at the *legal* level, at least – enjoy a host of entitlements pertaining to both the "enabling" and "measurable" dimensions of decent work. The 1997 labour law sets up a "neo-Fordist" tripartite system of industrial relations, modelled along Western ideals, which promotes cooperation between employers, trade unions and the government (Arnold and Toh 2010, 408; Ward and Mouyly 2016, 259). Apart from ensuring workers the rights to strike, associate and unionize, the law specifies, in detail, the procedures for collective bargaining, workplace representation and dispute settlement, including workplace-level negotiation, conciliation and arbitration. At the national level, it institutes a tripartite body, the Labour Advisory Committee (LAC), made up of government officials and an equal number of representatives from unions and employers' associations. The purpose of the LAC, established in 1999, is to study and negotiate on labour-related issues such as employment conditions, minimum wages and vocational training, and provide recommendations to the Ministry of Labour. It must meet twice per year, but can be convened at any time by the ministry, either at its own initiative or at request of one of the two vice-chairpersons representing employers and workers (ILO 2012, 83). Finally, the labour law provides for the establishment of an independent, tripartite Arbitration Council (AC), founded in 2003, with quasi-judicial authority to resolve collective labour disputes. The AC, whose arbitrators are nominated by the three parties, is tasked with hearing collective labour disputes that could not be resolved by conciliation. Although its decisions, so-called arbitral awards, are non-binding (unless the parties agree otherwise), it is considered an innovative, effective and – not least – impartial dispute resolution mechanisms (Adler et al. 2009).

In addition to these mechanisms of dialogue and negotiation, the Cambodian legal framework also specifies a number of "measurable" standards. Although the country has not ratified any of the ILO conventions related to minimum wage-fixing, the wage provisions in the labour law appear more than a little inspired by the international human and labour rights framework, testifying to the substantial foreign influence in the drafting of the country's legislation. The labour law stipulates that wages "must be at least equal to the guaranteed minimum wage; that is, it must ensure every worker of a decent standard of living compatible with human dignity" (art. 104). Moreover, the law specifies that the determination of minimum wages should take into account both *social* factors – "the needs of workers and their families…" – and "*economic* factors, including the requirements of economic development, productivity, and the advantages of achieving and maintaining a high level of employment" (art. 107). According to the law, minimum wages are set by decree by the Ministry of Labour, upon recommendation from the LAC, and are to be "adjusted from time to time in accordance with the evolution of economic conditions and the cost of living" (art. 107). Although the law provides for a universal minimum wage, a rate has so far only been fixed for the garment and footwear sector (ILO 2012, 27).

Apart from these income-related entitlements, the Cambodian legal framework also encompasses provisions on social protection. The constitution makes it a responsibility of the state to "establish a social security regime for workers and employees", a regime which is further elaborated in the labour law (1997) and law on social insurance (2002). These laws and subsequent ministerial decrees provide for a social security system in three pillars: employment injury insurance, health insurance and a pension scheme (BFC 2013).

4.5.2 Quota-linked improvements and Better Factories Cambodia

While the Cambodian legal framework is progressive on paper, its implementation was initially weak, not least because the government lacked the capacity to enforce it (Polaski 2006, 110). Discontent over poor working conditions, thus, resulted in mounting labour unrest and union activism, and international pressure from a growing anti-sweatshop movement (Arnold and Toh 2010; Ward and Mouyly 2016, 264). In mid-1998, a sympathetic US labour group started petitioning Washington to review Cambodia's GSP status due to abuses of workers' rights. Instead of revoking trade preferences, however, the Clinton Administration – eager to showcase the potentials of export-oriented development, and after intense advocacy by unions and labour NGOs – came up with a novel solution: A ground-breaking social clause was incorporated into TATA (1999-2001), making quota access to the US market conditional upon compliance with domestic labour laws and internationally recognized labour standards (Kolben 2004, 90; Polaski 2006, 3; Shea et al. 2010, 89). Under this system, as noted above, a standard 6% quota increase per year was ensured; but on top of that, a "bonus" could be released, depending on Cambodia's labour rights performance. In a historically unprecedented way, as Shea et al. (2010) observes, TATA was the first (and so far only) trade agreement that *rewarded* improvements, rather than simply punishing violations (2010, 89).

In order to provide credible, timely and reliable information, on which the US administration could make its quota decisions, the two governments agreed to request the ILO to undertake the task of developing and implementing an independent monitoring mechanism (Polaski 2006, 921). Following 18 months of negotiations, an agreement between the Cambodian government, ILO and the Garment Manufacturers Association of Cambodia (GMAC) formally initiated the Garment Sector Working Conditions Improvement Project, soon after renamed "Better Factories Cambodia" (BFC) (Xhafa and Nuon 2018, 7). Entering into force in 2001, the BFC subjects *all* exporting garment factories to mandatory, regular audits, of both announced and unannounced nature. Originally, visits took place on a biannual basis, but with the growing number of factories, frequency dropped to around once per year (Stanford Law School and Worker Rights Consortium 2013, 30). During visits, factories are benchmarked against an extensive checklist of up to 500 items, covering employment contracts, wages, working hours, leave, freedom of association and many other entitlements provided by labour law and ILO standards. Interviews are made, confidentially and separately, with management, workers and union leaders, and central documents, such as payroll and timesheets, are obtained and analysed (Miller et al. 2009, 14–15). Findings are recorded in individual factory reports, available to factory management and third parties (typically buyers) for a fee, and sector-wide compliance is disclosed to the public in regular synthesis reports. In addition to audits, the BFC conducts capacity-building activities, providing training to government officials, employers, union leaders and workers, offers assistance in drafting new laws, raises awareness and facilitates social dialogue, both in the workplace and at the national level (Shea et al. 2010, 90; CCC and CLEC 2011, 7–8; Xhafa and Nuon 2018).

TATA, thus, introduced two governance innovations to improve labour standards: compliance-linked quotas and the independent monitoring mechanism with the ILO an entirely new role. Although the quota incentive disappeared with the phase-out of the MFA by 2005, the project has continued as a mandatory monitoring scheme for exporting factories. Initially, the project was mainly paid by the US government (71%), with GMAC and ILO paying 14% each (Shea et al. 2010, 90). With the establishment of the BFC, as Miller et al. (2009) note, Cambodian garment factories were put under scrutiny by "arguably the most comprehensive and systematic monitoring effort governing any national garment supply base in the world" (2009, 14).

4.5.3 Cambodia as a crucial case?

That the Cambodian labour rights regime is, indeed, progressive by international comparison, can be illustrated by attempts to quantify labour rights in composite indices. For instance, in Mosley's "Collective Labor Rights" indicators, which cover the rights to associate freely, form unions, bargain collectively and strike in 90 countries (over the period 1985-2002), Cambodia receives the highest score for *legal protections* of *any* garment-exporting country in Asia (in 2002, the latest year available). On a scale ranging from 0-28.5, with only a few countries scoring below 20, Cambodia hits 26.5, the same as the UK, higher than the US and substantially better than regional competitors such as China (23.5), Bangladesh (21.5), Vietnam (20) and India (18.25)(Mosley 2011). Similarly, the Labour Rights Indicators developed by the Centre for Global Workers' Rights at Penn State University, based on a coding of more than 100 criteria related to freedom of association and collective bargaining from nine textual sources, awards Cambodia the best score on *violations in law* of all garment-exporting countries in Asia. With the scale ranging from 0 (best) to 10 (worst), Cambodia's score of 2.94 in 2012 was significantly better than that of Bangladesh (6.98), India (6.89) and Thailand (6.36), while China and Vietnam were both awarded the worst-possible score (10) (Kucera and Sari 2016).

Based on its unique governance structures, the Cambodian garment industry has been championed, by academics and international organizations alike, as a "model" of fair globalization (Arnold and Toh 2010). Polaski characterized it as "a unique and successful international policy experiment" that has created "significant and widespread improvements in wages, working conditions and respect for workers' rights" (Polaski 2004a, 3, 2004b, 21). DiCaprio describes the Cambodian case as "an unusual success creating and sustaining a labour rights regime" (2013, 108), and Wells (2007, 360) considers it a "best practice alternative" to improve labour standards in the global South. Along similar lines, Shea et al. (2010) conclude that, even after the MFA phase-out, the governance regime has "prevented the deterioration of conditions in the country's garment industry" (2010, 105). Pleased with its success, the ILO in 2008, under the title "Better Work", launched similar projects in Vietnam, Jordan and Haiti, and today, the programme has also expanded to

Indonesia, Haiti, Nicaragua, Egypt and Bangladesh (betterwork.org). In most cases, however, the programme is voluntary rather than mandatory, as in the Cambodian case.

From the perspective of the mainstream conception of social upgrading, rooted in Polanyian institutionalism, as described in chapter 2, the Cambodian case can, in important respects, be considered as what comparative political scientists call a *crucial case* (Gerring 2006, 115–21). Being governed by an unusually progressive legal framework, tripartite mechanisms of dialogue and negotiation and the world's most ambitious monitoring programme, it can be seen as a most-likely case; a setting that provides a conducive setting for a theorized relationship – in this case, social upgrading through "good governance" – to produce an expected outcome. Put plainly, the validity of an institutionalist conception of social upgrading can be seen as depending, to a great extent at least, on the case, where the most serious attempt to install the "right" governance structures has been made. However, as will be made evident in the following section, the social trajectory of Cambodian garment workers since the emergence of the garment industry in the mid-1990s in crucial ways represent a paradox from such a governance-based view of social upgrading.

4.6 Social trajectory: From "fair" model of globalization to among the "worst places for workers"

This section provides a snapshot of the social trajectory of the Cambodia garment workforce, the *explanans* – that which needs to be explained – in the within-case analysis of Cambodia. Probably the aspect of working conditions that are most important to workers – the wages that sustain themselves and their families – has changed dramatically over the previous two decades. Table 3 provides an overview of all adjustments to the garment industry minimum wage, often serving as a base salary, since its introduction in 1997. As seen, in the decade after its implementation, the minimum wage was only adjusted once: a modest rise to $45 (for regular workers) in 2000. The raise to $50 in 2007 was in force until October 2010, where it was adjusted to $61. After this period of infrequent wage reviews, 2013 marked the beginning of a series of steep hikes that doubled the minimum wage in less than two years. In May 2013, it was raised to $80; only seven months later, in February 2014, to $100; and from January 2015, it reached $128. Since then, annual adjustments have increased the minimum wage to $128 in 2015, $140 in 2016, $153 in 2017, $170 in 2018 and $182 from January 2019. On top of the minimum wage, a number of mandatory benefits have been introduced, and dismantled again, over the years. In 2000, an attendance bonus of $5 was implemented, a benefit which was raised to $7 in 2011 and $10 in 2012. In April 2008, a short-lived cost-of-living allowance saw the light of day, but was soon after, in October 2010, integrated into the minimum wage. Likewise, a $5 health care allowance, applicable from January 2012, was cancelled with the new minimum wage in May 2013. Finally, in September 2012, a $7 transport allowance was implemented, a benefit still applicable at this rate as of January 2019.

Table 3. Cambodia: Minimum wage and mandatory benefits ($), 1997-2018

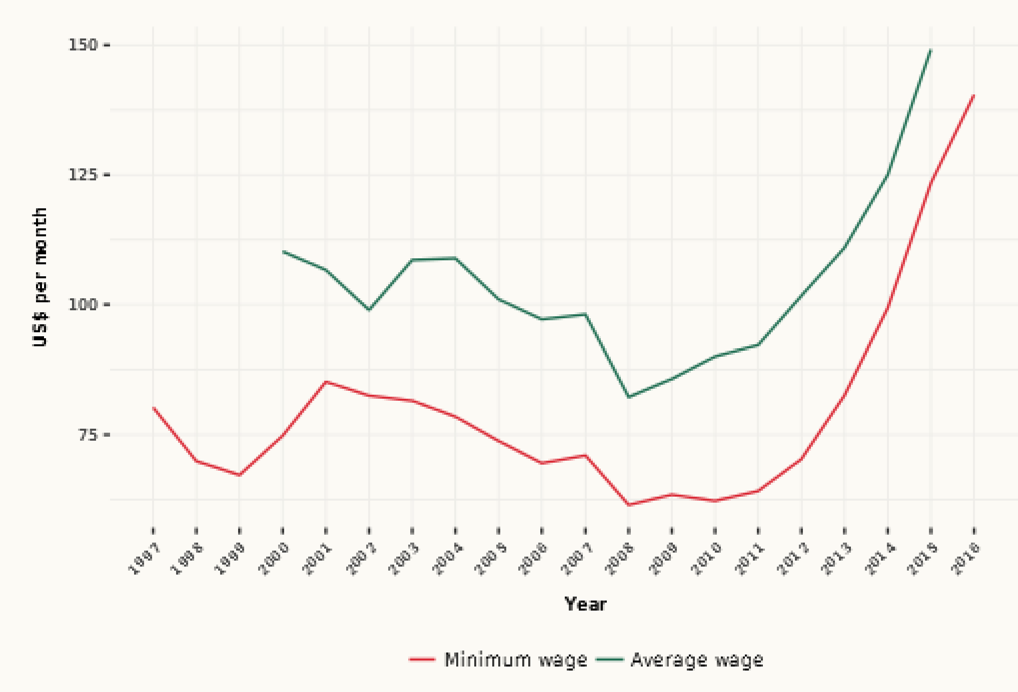
Date	MW probationary	MW regular	Attendance bonus	Transport allowance	Health care allowance	Cost of living allowance	Total Regular
1/1997	40	40	-	-	-	-	40
8/2000	40	45	5	-	-	-	50
1/2007	45	50	5	-	-	-	55
4/2008	45	50	5	-	-	6	61
10/2010	56	61	5	-	-		66
3/2011	56	61	7	-	-		68
1/2012	56	61	7	-	5		73
9/2012	56	61	10	7	5		83
5/2013	75	80	10	7	-		97
2/2014	95	100	10	7	-		117
1/2015	123	128	10	7	-		145
1/2016	135	140	10	7	-		157
1/2017	148	153	10	7	-		170
1/2018	165	170	10	7	-		187

Source: Table supplied by the Ministry of Labour and Vocational Training during fieldwork in Cambodia, December 2017.

While statutory minimum wages, hence, more than quadrupled since 1997, rising consumer prices eroded wage increases to such extent that Cambodian garment workers, over long periods of time, experienced declining *real* wages. Figure 10 plots the real value[17] of garment workers' minimum incomes (the minimum wage plus mandatory benefits) for each year since 1997, together with average take-home pay according to Ministry of Commerce records. As evident, the purchasing power of the minimum wage in local consumer markets declined for long periods. For instance, between the $5 increase in 2000 and the next revision in 2007, it lost a fifth of its real value. The following year, in 2008, it reached an all-time low, 21% below its 1997-level. Not until the September 2012 adjustment did the purchasing power of garment workers' minimum income surpass its 1997-level. With the run of wage hikes, and the shift to annual wage reviews, however, the situation reversed from 2012 onwards. In real terms, the minimum wage applicable from January 2018 was more than twice as high at the beginning of 2012; an incredible reversal after a decade and a half of stagnant, and often declining, real incomes.

[17] Deflated by the Consumer Price Index (CPI) from the World Bank's World Development Indicators, online.

Figure 10. Cambodia: Minimum wages and average take-home pay in garment industry



Note: CPI: WB Data Bank. Minimum Wages: MoLVT. Average wages: MoC.

Another source on wages in the Cambodian garment industry is the records of the Ministry of Commerce, representing *average* take-home pay, including overtime and bonuses. Though it should be noted that average figures may overestimate the take-home wage of a *typical* garment worker, the trend of declining real wages is clearly discernible, as also seen in Figure 10. In the face of rising consumer prices, the real wage of Cambodian garment workers reached a minimum in 2008, 25% below its 2000-level. Despite moderately rising real wages in the following years, the average garment worker had to wait until 2013 to regain the purchasing power she had in 2000. Despite the remarkable expansion the garment industry during the 2000s, hence, the average garment worker was even worse off in 2012 than at the outset. In parallel to the minimum wage hikes, however, take-home pay has skyrocketed since 2012, by far outpacing inflation. Between 2012 and 2018, the average take-home pay in the garment industry doubled in nominal terms, from $110 to $220; and as consumer prices recorded a modest 18% over the period, the result was a 69% increase in garment workers' average wage.

To what extent have garment workers' incomes offered "a decent standard of living compatible with human dignity", as stated in the 1997 Labour Law? To evaluate the "decency" of wages, a common point of reference is the so-called "living wage", the amount "sufficient to afford a decent standard of living for the worker and her or his family", according to the Global Living Wage Coalition (2019). While there is no consensus on the most appropriate methodology for calculating living wages, Anker (2011) concludes that there is agreement that a living wage "includes more than the necessities of life", that it "should be appropriate for the society and the times" and that "it should be earned during normal working hours" (Anker 2011, 23–24). Typically, living wage estimates are calculated in three steps. First, the cost of a decent standard of living is estimated, including the cost of a nutritious diet, acceptable living, clothing and footwear and other costs such as transportation, healthcare, personal care etc. Second, this per capita cost is multiplied by the assumed number of persons in the household; and third, it is divided by the number of full-time equivalent workers in the household (Anker and Anker 2017, 18–20). In recent years, living wage estimates have been developed by a range of actors, including Asia Floor Wage Alliance, the Global Living Wage Coalition and WageIndicator.org. In the following, the estimate produced by WageIndicator.org is used; a choice mainly based on the fact that estimates are available for both Cambodia and Vietnam using the same methodology[18].

Using WageIndicator.org's living wage estimate for Cambodia as of January 2018, and adjusting it back in time according to the consumer price index (CPI)[19], a rough assessment of the extent to which the incomes of Cambodian garment workers satisfy a living wage can be made. Based on these estimates, it seems that over the entire period from its introduction in 1997 until the turning point in 2013, the minimum wage[20] provided no more than a third of a living wage, while average take-home pay typically covered half. The rapid wage hikes in recent years, however, have substantially narrowed the gap. Based on these calculations, the 2012 minimum wage of $187 per month represented 74% of a living wage, up from 37% in 2012, whereas garment workers' average pay in 2018 met 88% of an estimated living wage, up from 53% in 2012.

On top of better wages, Cambodian garment workers have seen some recent improvements in the social protection dimension of "decent work". Although the Cambodian constitution and labour law clearly establish a right to social protection for Cambodian citizens, providing for a system in three pillars, as of 2008, only the employment injury insurance had been implemented. In 2016, however, the health insurance component was put into operation, giving workers free medical treatment in hospitals and free consultations, among other things.

In terms of measurable standards, therefore, the social trajectory of the Cambodian garment industry is clear. Cambodia's integration into, and expansion in, the garment GVC occurred in the context of a social downgrading in measurable standards. As portrayed at the opening of the thesis,

[18] Founded in 1999 and chaired by the Amsterdam Institute of Advanced Labour Studies, the Wage Indicator Foundation applies a methodology consistent with that developed by Anker and Anker (2017) for the Global Living Wage Coalition. Calculations are based on price information collected via web surveys and supplemented by field research where needed. Estimates are provided for three different household types: A single-person household, a family of two adults and two children and the typical family, taking national fertility and employment conditions into account.

[19] From the World Bank's World Development Indicators (online)

[20] When minimum wages entered into force at some point during a year, the average minimum wage for the year was calculated.

the gradual erosion of real wages made Cambodia garment workers increasingly malnourished and mass-faintings still more common towards the end of the 2000s. From the perspective of the mainstream conception of social upgrading, this must be considered a disappointing outcome of "the best example of links between enhanced trade and improvements in labour standards in the global South" (Wells 2007, 361). Since 2012, however, profound social upgrading has taken place.

In terms of "enabling rights", however, the situation is quite the opposite. While the Cambodian garment industry in the 2000s, as observed above, was hailed for its progressive labour rights framework, a serious deterioration has taken place in the 2010s. Although the situation soured gradually (as will be clear from chapter 5), the decline accelerated in early 2014, when the government violently suppressed a garment sector protest, killing five workers (explored in chapter 6). After this episode, the Cambodian government (and employers) took a number of steps aimed at curbing the associational power of garment workers, including the adoption of a controversial and heavily criticized Trade Union Law in 2016 (the subject of chapter 7). Due to these restrictions, Cambodia was in 2016 awarded a place in the top 10 of the "world's worst countries for workers" in the annual Global Rights Index of the International Trade Union Confederation (ITUC 2016). In this way, the social trajectory is far from unidirectional. While workers saw sustained improvements in measurable standards after 2012, their enabling rights were severely restricted. What accounts for these contradictory processes of social up- and downgrading? The purpose of the within-case analysis of the Cambodian case is to dissect this paradoxical social trajectory, informed by the class-relational theoretical framework, in order to identify the processes and mechanisms behind gains and setbacks. To nuance the findings from Cambodia, however, the dissertation also presents a comparative analysis with the Vietnamese garment industry. The following section, therefore, provides a brief introduction to the political context, emergence, key features and social trajectory of the garment industry in Vietnam.

4.7 Neighbouring Vietnam: Different context, similar outcome

4.7.1 Political and economic context: *Doi Moi* and the pursuit of a socialist-oriented market economy

Also for Vietnam, a transition took place in the 1980s, but in a somewhat different direction. In August 1945, the declaration of independence by Ho Chi Minh, leader of the communist party and the liberation movement, provoked a war with France, eager to restore colonial dominance. After the French defeat in 1954, the Geneva agreements divided Vietnam along the 17th parallel, with a communist Democratic Republic of Vietnam established in the North and an anti-communist, pro-US Republic of Vietnam installed in the South (Beresford 1989, chap. 3). Soon, war erupted again, and over the next two decades, a cold-war proxy was fought between the communist North, supported by the Soviet Union and China, and the anti-communist South, backed by the US and others. After the withdrawal of US troops in 1973, and the fall of Saigon in 1975, Vietnam was finally reunified under communist rule in 1976 (Beresford 1989, chap. 4).

Impoverished by the two Indochina Wars and struggling with uniting two vastly different economic systems in a nationwide command economy, the first signs of economic turmoil surfaced towards the end of the 1970s (Dang 2004, 25; Masina 2006, 53). In the context of acute food shortages, spiralling inflation, a costly civil war in Cambodia, a disastrous attempt to restore macroeconomic stability in 1985 and a severe crisis the following year – and facing the same external pressures as Cambodia above, in particular the drying out of Soviet aid – the Vietnamese Communist Party (VCP), at its Sixth Congress in December 1986, launched a far-reaching reform agenda known as *Doi Moi* ("renovation"). Over the following years, a series of initiatives transformed the Vietnamese economy from a centrally planned system to a "socialist-oriented market economy under state guidance" (Masina 2006, 59–70; Beresford 2008, 221). In 1987, foreign investors were allowed to do business, and SOEs were "freed" from the central plan; in 1988, two decrees abandoned agricultural collectivization and recognized private property; and in 1990, a private enterprise law was adopted to stimulate a private sector; and in 1992, the first Export-Processing Zone was established near Ho Chi Minh City (Dang 2004, 37; Vuong 2014, 5). With these reforms, Vietnam embraced a multi-sectoral market economy and moved towards an export-oriented development strategy (Anh et al. 2016, 247). The political system – despite significant reforms – remained intact.

4.7.2 The rise of an export-oriented garment industry

Prior to unification, textile and garment firms operated in both the communist North, with assistance and technology from communist allies, and in the capitalist South, aided by US and Japanese assistance. Until 1991, the vast majority of Vietnamese garment exports were destined for other countries in the communist bloc, either in exchange for machinery or as repayment of debt (Tran 2012, 88–89). Following the *Doi Moi* reforms, however, Vietnam emerged as a major production hub for garments and other light consumer goods exported to the global North. Between 1990 and 1996, garment exports grew more than ten-fold, to around $1 billion, and its share of exports jumped from 7.9% to 19.8% (Hill 2000, 285). With the opening to foreign investors, the country in the first half of the 1990s received extraordinarily high inflows of FDI. Investors, especially from Japan, South Korea and Taiwan, invested heavily in the garment industry – and as result, between 1995 and 2000, the share of foreign-invested companies in the total value of garment output rose from 13% to 25% in 2000 (Tran 2004, 147).

In addition to low labour costs, investors were attracted by improving access to major consumer markets. Confronted with the loss of its former socialist trading partners, the Vietnamese government actively sought new markets in advanced capitalist countries. A bilateral agreement with the EC (now EU), signed in 1992, granted quota free access to European markets in 46 product categories and is commonly considered to mark the take-off export garment manufacturing (Lopez-Acevedo and Robertson 2012, 474). In the initial phases, Vietnam was excluded from the US market. Although the US trade embargo, erected after the seizure of Saigon in 1975, was withdrawn in 1994, Vietnamese exports remained subject to steep trade barriers, including an up-to-60% tariff on garment exports. As result – in contrast to other developing countries, including Cambodia, whose integration into the garment GVC was fuelled by preferential access to the US market – Vietnam from the outset had to compete in higher-quality non-quota markets, in particular Japan (Hill 2000, 289).

The signing of a bilateral trade agreement with the US in 2001 sharply reversed the situation. Vietnam was granted MFN status and tariffs on garment exports to the US were lowered to 11.5%, on average (and no quotas). As result, Vietnamese garment shipments to the US exploded – from 2001 to 2002, the export value grew more than 20-fold, from $49 million to more than a $1 billion (Nadvi and Thoburn 2004, 115; Lopez-Acevedo and Robertson 2012, 476). With the joining of the WTO in 2007, foreign investment and export growth accelerated, and the garment industry expanded at an aggressive pace (Tran 2012). From 2000 to 2017, the total value of garment exports from Vietnam grew from $1.8 billion to $25 billion,[21] the number of firms grew from 579 to 6961, while employment in the sector soared from 232,000 to 1.47 million, making it the largest formal employer in the country[22]. Moreover, Vietnam's global market share of garment exports grew from 0.1% in 2001 to 6.2% in 2018, making it the world's third-largest garment exporter, just about to surpass Bangladesh.

Since the 1990s, the garment and textile industries have been key priorities in the development strategy of the Vietnamese government. The modernization of the state-owned industries was pursued through the establishment of Vinatex in 1995, a state-owned enterprise with the key task of overseeing all textile and garment firms owned by the central state, and to promote integration between them (Tran, 2004: 148). In 1998, Vietnam adopted an ambitious "masterplan" for the development of the garment and textile industries, aiming at, among other things, promoting a move away from the simplest production modalities, raising the domestic content in garment exports and initiating a restructuring of the state-owned garment sector (Lopez-Acevedo and Robertson 2012, 493). Updated masterplans were adopted in 2008 and 2014.

4.7.3 Key features

In contrast to Cambodia, the garment industry in Vietnam is characterized by a mixed ownership structure. While the industry used to be dominated by SOEs, in the early 1990s accounting

[21] UN Comtrade, SITC code 84
[22] According to Statistical Yearbooks Vietnam.

for almost 70% of output, the arrival of foreign investors and the "equitization" of SOEs has drastically changed the ownership structure. By 2011, state ownership accounted for just 8% of industrial output from the garment industry, down from 32% in 2000, foreign ownership accounted for 48%, up from 25% in 2000, and domestic-private ownership represented 43%[23]. However, as the state still owns a significant portion of the shares in many equitized companies (now counting as part of the domestic-private sector), these figures underestimate state ownership (Tran 2012). Measured by export value, however, the foreign-invested garment industry accounts for 77%, while domestic enterprises account for 23% (Chi 2018, 6).

As Cambodia, the Vietnamese garment industry entered the lower value-added segments of the garment GVC, although some upgrading seems to have taken place since the mid-2000s (explored in chapter 8). In terms of end markets, significant shifts have occurred over time. Prior to the bilateral trade agreement with the US. While in 1995, the US represented just 2.2% of garment imports from Vietnam, and EU-15 and Japan accounted for 44% each, by 2008, the US accounted for 57%, the EU-15 for 23% and Japan for 8%. In this way, the Vietnamese garment industry has come to be dominated by the US market (Lopez-Acevedo and Robertson 2012, 482).

The garment industry is concentrated in the industrial growth areas of Vietnam, mainly in the South, but increasingly also in the Central and Northern part of the country. In 2009, more than 60% of all garment manufacturers were located in the South and the Mekong Delta (primarily in Ho Chi Minh City and the surrounding provinces Binh Duong and Dong Nai), while 30% were located in the North (centered around the capital, Hanoi) and the remaining 8% in Central Vietnam (Lopez-Acevedo and Robertson 2012, 478). As in Cambodia, the garment workforce is dominated by young, female workers. According to the latest Statistical Yearbook, women in 2017 represented 80% of the almost 1.5 million jobs in the "manufacture of wearing apparel". Surveys conducted by Kabeer and Anh found, among almost 600 garment workers, found that the mean age in private garment enterprises was 24 years, the mean age of taking up garment work was 18, and that 90% were migrant workers (Kabeer and Anh 2006, 52).

4.7.4 Social trajectory: From down- to upgrading

While pre-reform Vietnam, with the government as the sole employer, had no such things as a minimum wage, the emergence of a private sector in years following the *Doi Moi* reforms called for new means to regulate wages and working conditions. The labour code adopted in 1994, therefore, contained a section on minimum wage-setting, making the government responsible – after consultation with the Vietnam General Confederation of Labour (VGCL) and employer representatives – to "determine and promulgate from time to time a general minimum wage, a minimum wage for each region, and a minimum wage for each industry" (art. 56).

[23] Statistical Yearbook Vietnam, 2005 and 2012.

Table 4. Vietnam: Statutory minimum wages (VND), 1990-2018

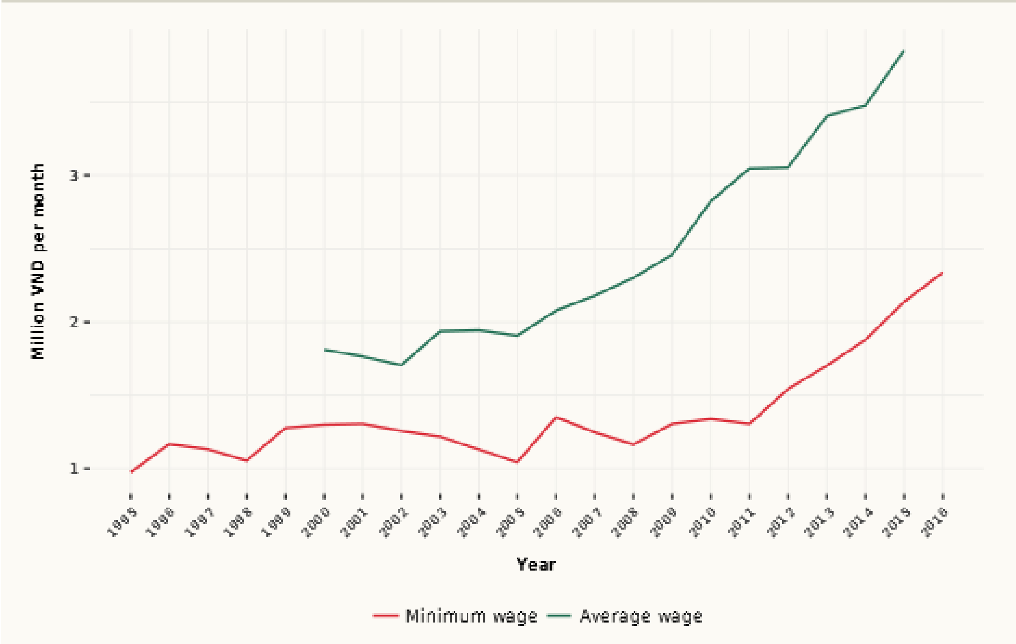
Date	Currency	Region 1	Region 2	Region 3	Region 4
1/1/1990	USD	50			
1/1/1992	USD	35			
1/1/1996	USD	45	40	35	
1/1/1999	VND	626,000			
2/1/2006	VND	870,000	790,000	710,000	
1/1/2008	VND	1,000,000	900,000	800,000	
1/1/2009	VND	1,200,000	1,080,000	950,000	920,000
1 Jan 2010	VND	1,340,000	1,190,000	1,040,000	1,000,000
1 Jan 2011	VND	1,550,000	1,350,000	1,170,000	1,100,000
1 Oct 2011	VND	2,000,000	1,780,000	1,550,000	1,400,000
1/1/2013	VND	2,350,000	2,100,000	1,800,000	1,650,000
1/1/2014	VND	2,700,000	2,400,000	2,100,000	1,900,000
1/1/2015	VND	3,100,000	2,750,000	2,400,000	2,150,000
1/1/2016	VND	3,500,000	3,100,000	2,700,000	2,400,000
1/1/2017	VND	3,750,000	3,320,000	2,900,000	2,600,000
1/1/2018	VND	3,980,000	3,530,000	3,090,000	2,760,000

Soon after the opening to foreign investors, however – and before the adoption of the labour code – it became clear that "it was necessary to have a separate minimum wage level for workers in this sector as they tended to be under greater stress" (VEPR 2017, 2). In August 1990, therefore, a minimum wage of $50 per month was established for workers in foreign-invested companies in large cities (Tran 2007a, 445). Less than two years later, a substantial downwards adjustment – due to concerns over competitiveness – was implemented, bringing the minimum in the FDI sector down to $35. In 1996, it was raised again to $45, and in 1999, MOLISA declared that wages were to be paid in Vietnamese Dong, at an exchange rate defined by the ministry (Tran 2007a, 431). At this rate (13,900VND/USD), the $45 minimum wage corresponded to 626,000VND. Table 4 above provides an overview of how the minimum wage in the foreign-owned sector has evolved since its introduction in 1990.

On the following page, Figure 11 plots the minimum wage for FDI workers in region 1 (where the bulk of garment factories are located)[24], and the average compensation of garment

[24] The definition of the regions has changed over time. Since 2009, Vietnam has had a four-tiered minimum wage structure. Region 1 = Hanoi (and surrounding areas) and Ho Chi Minh City (and surrounding areas); region 2 = large provincial cities, such as Da Nang, My Tho and Hue; region 3 = smaller provincial cities; region 4 = the remaining areas (mainly the countryside).

Figure 11. Vietnam: Minimum wages and average take-home pay in garment industry



Sources: World Bank's World Development Indicators (CPI); MOLISA (minimum wages); GSO Statistical Yearbook (average compensation, "manufacture of wearing apparel")

workers (extracted from the Statistical Yearbooks), deflated according to CPI with 2010 as base[25]. As seen, the wage trend of Vietnamese garment workers is similar to their Cambodian counterparts. For a long period, from the mid-1990s to 2005, the real value of the minimum wage was stagnant and declining. Due to infrequent wage reviews and rising consumer prices, the purchasing power of the region 1 minimum wage reached an all-time low in 2005, 26% lower than in 1992. Although data on take-home wages is only available from 2000 onwards, it indicates that average compensation in garment manufacturing, including overtime, bonuses and employers' social contributions, rose slightly in real terms, by 4.6% in the beginning of the decade. However, in 100% foreign-owned *garment* enterprises – for which data is separately available until 2006 – average real wages *dropped* by 17% over the period. With such real wage erosion, Vietnamese garment workers become among the world's lowest-paid in the mid-2000s, according to Tran (2007a, 431).

Since the mid-2000s, however – and especially during the 2010s – wages have risen remarkably. After an unprecedented 40% minimum wage hike for FDI workers (region 1) in 2006, the minimum wage was revised annually from 2008 onwards. From 2005 to 2011, it almost tripled.

[25] As above, from the World Development Indicators (World Bank 2019).

Yet, with double-digit consumer price inflation, minimum wage increases only really translated into higher real incomes after 2011. The minimum wage implemented in January 2012 was 48% higher than at the end of 2005, in real terms, while its purchasing power in 2015 was more than twice as high as a decade before. Likewise, average take-home pay in the garment industry, in real terms, doubled between 2005 and 2015. As in Cambodia, hence, a long period of stagnant or declining real wages gave way to a phase of profound improvements. Also in Vietnam, these trends brought garment workers significantly closer to a living wage. Estimations based on a back-casting of the WageIndicator.org living wage estimate for Vietnam[26], as with Cambodia above, suggests that minimum wage grew from representing less than a third during the cheap labour phase to meeting 62% of a living wage in 2018, while average wages in garment manufacturing in 2016 (latest available) for the first time exceeded the living wage estimate. To sum up, data on minimum and take-home wages suggest that, in terms of measurable standards, Vietnamese garment workers have experienced a trajectory similar to their Cambodian counterparts: An initial period of social downgrading, with infrequent minimum adjustments and deteriorating real wages, followed by a transition to social upgrading, with annual wage reviews and substantial real wage increases.

In terms of enabling rights, Vietnam is often seen as one of the worst in class, as reflected in worst-possible score in the Labour Rights Indicators reported above. As in other communist states, Vietnam's industrial relations framework was devised according to Leninist principles. As one among several mass organizations acting as "transmission belts" between the Party and the people, trade unions were assigned a double task, sometimes called the "classical dualism" of trade unions in socialist systems: "the contradictory functions of representing the interests of both the workers and the Party-state" (Chan and Nørlund 1998, 173–74). In practice, however, unions became the instruments of the party, neglecting their representational function.

The economic transformation ushered in by *Doi Moi*, however, also necessitated a reform of industrial relations. The turning point was the Sixth Trade Union Congress in 1988, held under the slogan of "renewal, openness and democracy", where the Secretary-General of VCP, in what Nørlund (1995, 88) described as a "revolution from above", declared that union cadres no longer had to be party members and could express their own independent views. Redefining the role of, and carving out some autonomy for, unions was a thread running through the Trade Union Law (1990), the new constitution (1992), the new VGCL statutes (1993) and the new Labour Code (1994). The Labour Code gave unions the right to bargain collectively on behalf of workers and redefined their role in dispute settlement. Most controversially, after heated debates, workers were granted the right to strike (Chan and Nørlund 1998, 184–90; C.-H. Lee 2006b, 416–17).

Despite the reforms, however, the VGCL remained an "officially sanctioned monopoly union with very weak democratic links with […] constituents at the workplace" (Lee, 2006: 420). Although Vietnamese workers have the right to join grassroots unions, those unions have to be

[26] Based on the January 2018 living wage estimate, available online: https://wageindicator.org/salary/living-wage/vietnam-living-wage-series-january-2018

affiliated with the VGCL. Although unions have the right to collective bargaining, collective bargaining agreements rarely exceed the legal minimum. Although workers were given the right to strike, "the conditions to organise a legal strike are so formidable that workers have always chosen to walk out without complying with the rules and without the official unions' engagement" (Chi 2018, 19). In contrast to Cambodia, however, Vietnam has seen some positive developments related to "social dialogue" in recent years (will be explored in chapter 8). While the two cases share similar trajectories on enabling standards, hence, they have diverged when it comes to workers' enabling rights.

4.7.5 Vietnam and Cambodia: The logic of a most-different systems design

As shown above, the garment industries of Cambodia and Vietnam have quite similar social trajectories, but differ in their political economies, industrial relations frameworks and industrial characteristics (most notably ownership structures. Taken together, hence, the two cases can be seen as representing a "most-different systems design" – a set of cases that have a similar outcome in different settings (Gerring 2006, 139–42). In such comparative setup, the key analytical question becomes what common mechanism accounts for the common outcomes, despite differences in (in theory) all other variables? The table below sums up the main similarities and differences between Cambodia and Vietnam. The next three chapters, 5 to 7, explore what role evolving class relations played in the social (and economic) trajectories of the Cambodian garment industry, from its emergence in the mid-1990s up to the present. Against this backdrop, chapter 8 compares the findings from the Cambodian case with the garment industry in neighbouring Vietnam. Together, the analyses suggest a common causal mechanism underpinning the similar social trajectories presented above: workers' collective resistance against super-exploitation.

4.8 Conclusions

As a background to the case studies in chapters 5 to 8, this chapter has introduced the political-economic context of the garment industries in Cambodia and Vietnam, their integration into the garment GVC, key features, institutional regimes and social trajectories. The chapter has argued that the Cambodian case – with its progressive legal framework, ratification of all fundamental ILO conventions and ambitious monitoring programme – can be considered a crucial case from the mainstream perspective of social upgrading. Challenging the mainstream in this setting can, therefore, be seen as particularly damaging to its validity. In comparison, the garment industries of Cambodia and Vietnam can be considered most-different cases, sharing similar social trajectories despite significant differences in political-economic systems, institutional setups and ownership structures. A comparative analysis, therefore, begs the question what common causal mechanisms can account for the similar social trajectories in otherwise different contexts.

With these basics in place, the next three chapters investigate the Cambodian garment industry in depth, dissecting its social and economic trajectories from a class-relational perspective. The analysis is organized chronologically, broken into three phases: chapter 5 explores the phase of cheap and weak labour (from the mid-1990s to 2011); chapter 6 analyses the "critical juncture", in which an outburst of labour unrest sent tremors through the established balance of class forces (2012-2014); and chapter 7 investigates the counter-strategies pursued by capital and the state in the subsequent phase (2014-2018). Against this backdrop, chapter 8, organized thematically according to the main conclusions from the Cambodian case, presents a comparative analysis with Vietnam.

CHAPTER 5

Cheap and weak labour: GVC integration, expansion and social downgrading, 1996-2011

5.1 Chapter introduction

Soon after Cambodia's triple transition – to peace, capitalism and democracy – foreign investors poured in to take advantage of cheap labour and unused quota access. Not long after the arrival of the first garment factories, grievances over poor wages and working conditions fuelled the first organized resistance. This chapter explores the first phase of Cambodian garment workers' struggles for social upgrading, stretching from the emergence of the industry in the mid-1990s to the critical juncture in 2012-2014, explored in the next chapter. The overall argument is that the failure of the garment working class to avert social downgrading in this period, despite impressive levels of unionization and mass mobilization, stems from its structurally weak bargaining power vis-à-vis capital and the state. This social trajectory, it is further argued, was both influenced by, and influenced, the economic trajectory of the garment industry, most importantly the price squeeze. Hence, the chapter demonstrates how a mix of horizontal and vertical factors bred the conditions for super-exploitation of the Cambodian garment working class.

The chapter is structured in four main sections. First, section 5.2 traces the historical events leading up to each of the minimum wage adjustments passed in this phase. It shows how virtually all material gains for garment workers were the outcome of collective action, and how manufacturers and the government adopted a range of counterstrategies with long-lasting implications. Second, section 5.3, probes into the paradox that the most highly unionized garment workforce in Asia, despite growing associational power, saw real wages decline for more than a decade. It puts forward the explanation that the relative ineffectiveness of strike action was inhibited by a balance of forces tilted heavily towards capital and the state. A number of factors – including a vast labour surplus, demographic trends and processes of primitive accumulation – led to a drastic expansion of the working class, undercutting workers' marketplace bargaining power, while the marginal position of labour in the powerbase of the ruling party undermined leverage against the state. Third section 5.4 explores the dialectics between these class structures and the economic trajectory of the garment industry. It argues that productivity gains by the industry were annihilated by the pricing dynamics of the garment GVC, rendering the distributional struggle between capital and labour particular conflictual, and that super-profits from cheap labour served as a disincentive for manufacturers to invest in economic upgrading. Section 5.5 concludes.

5.2 Garment workers' struggles for improvements

Informed by the theoretical framework laid out in chapter 2, this section examines the role of workers' collective action in each of the adjustments of statutory minimum incomes for Cambodian garment workers, from the minimum wage was introduced in 1997 to the record-breaking, but disappointing, national strike in 2010. Along the way, the most important counterstrategies by manufacturers and the government, many of which remain pertinent today, are discussed.

5.2.1 Early successes: 1996-97 and 2000

Soon after the first garment factories were established in Cambodia, grievances over poor working conditions – wages as low as $10 per month and workweeks longer than 100 hours – stimulated the first attempts to organize garment workers (Independent 6 May 1996; International Viewpoint 3 Jun 1997). On 15 December 1996, the first non-state union after the capitalist transition, the Free Trade Union of the Workers of the Kingdom of Cambodia (FTUWKC or just FTU) was formed by 158 workers at Malaysian-owned Cambodia Garments, one of the country's largest factories at the time. Just two days later, the FTU led the first strike in Cambodia's modern history, when the newly-organized workers walked off the job, demanding a minimum wage of $50 per month, a 40-hour work week and paid maternity leave. A few days later, almost 4,000 workers marched to the National Assembly and the Royal Palace in Phnom Penh to forward their claims. After intervention by the King, negotiations between the FTU and factory management resulted in an agreement, including a $2-increase in workers' pay to $37 per month, a reduction in working time from 72 to 47 hours and the number of working days from seven to six per week and three months' maternity leave at half pay (PPP 27 Dec 1996). This victory inspired workers in other factories, and by mid-January 1997, the protest movement had spread to, and collective bargaining agreements reached in, six other factories in Phnom Penh (International Viewpoint 3 Jun 1997). Apart from these factory-level agreements, however, the strike wave also prompted the Cambodian government to undertake negotiations with the 36 garment factories operating in the capital at the time – and on Christmas Day 1996, discussions resulted in an agreement, raising workers' wages to a minimum of $40 per month, limiting the workweek to 48 hours and compensating overtime, among other things (UN 1997). Thus, when in March 1997, the Ministry of Labour declared the new minimum wage of $40, it was under heavy influence from the first strike wave that forced employers and the government to the table.

Similarly, the first upwards adjustment of the minimum wage, passed in June 2000, was closely related to workers' collective action. The government's decision to convene the Labour Advisory Committee (LAC), established the year before, for its first minimum wage negotiation was made after – and by some analysts seen as direct result of – a 10,000-strong May Day protest organized by the FTU (CD 15 Jun 2000, 20 Jun 2000). In a speech at the event, union president Chea Vichea put forward a list of nine demands, including a raise of the minimum wage to 70$

per month and a reduction in working hours from 48 to 44 per week. At the LAC meeting on 20 June, unions were only offered a $2 increase, but before any substantive negotiations could begin, the decision was postponed (PPP, 23 Jun 2000). This move, effectively postponing the planned wage review, sparked a hitherto unseen outburst of labour unrest. Already the following day, up to 10,000 workers took to the streets, initiating a week-long strike wave (BBC 21 Jun 2000). The strikes were uncoordinated and spontaneous, gathering steam as workers marched from one factory to the next; and over the following days, the crowd increased to estimated 20,000 workers, shutting down more than a fourth of the, roughly, 200 garment factories in the country – and the otherwise peaceful protests turned violent, as AK-47-armed security guards opened fire against the strikers, wounding two young women. In this context, the Garment Manufacturers Association of Cambodia (GMAC) recommended a reconvening of the LAC. After a deadlocked, five-hour negotiation on 13 July 2000, a proposal by the Labour Minister was voted through by an overwhelming majority, raising the minimum wage to $45 per month, introducing a $5 attendance bonus and providing 18 paid annual holidays. The agreement was dubbed a "landmark and success" by the Labour Minister, but neither workers nor employers were happy with the result (South China Morning Post 26 June 2000; CD 28 Jun 2000, 14 Jul 2000).

5.2.2 The "old" arsenal of anti-union strategies

Both employers and the government were deeply concerned about growing labour unrest and upwards pressure on wages in the booming garment industry. After the 2000 minimum wage adjustment, GMAC president Van Sou Ieng commented with a "thank you very much for killing us", pointing to the alleged negative effects of the increase; and the following year, a joint report by the World Bank and the WTO warned that further wage hikes would deter foreign investors (CD, 14 Jul 2000, 11 Nov 2001). To curb workers' growing associational power, employers and the government launched an offensive against the most vocal sections of the fledgling labour movement. Three tactics, some of which are still widely used today, as will be examined in chapter 7, were central: The promotion of yellow unions; violence and intimidation against unionists; and the use of short-term contracts as union-busting strategy.

Yellow unions and state-employer bipartism

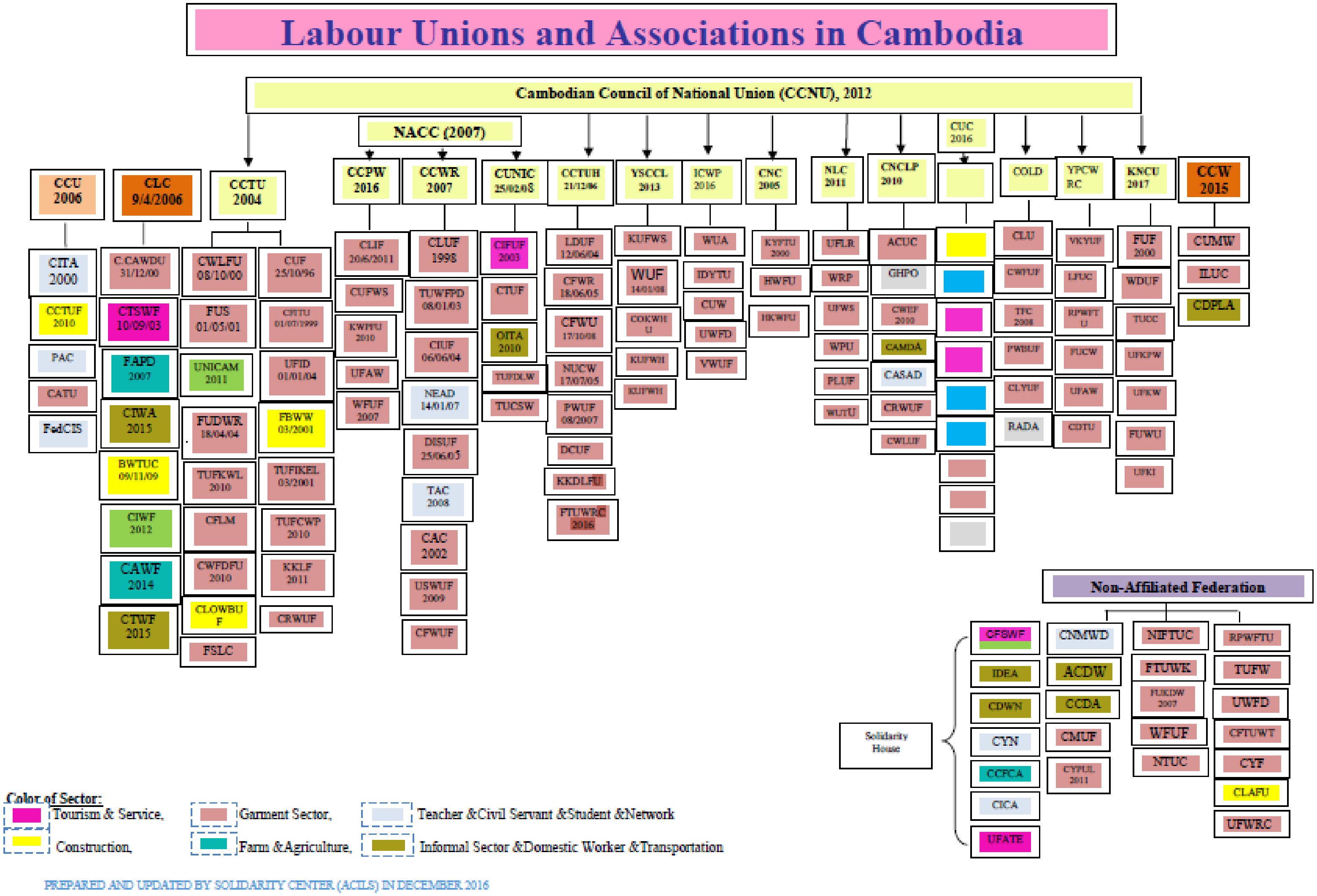
The first free trade union, FTU, was established by the most prominent political opposition figure in post-transition Cambodia, Sam Rainsy, former finance minister and leader of the Khmer National Party (KNP), and KNP activist, Chea Vichea, who served as president from 1999. Rainsy led several strikes and marches and actively supported workers in negotiations with employers. In response to the clear political affiliation of the emerging labour movement, the ruling party, CPP, from early on supported the establishment of government-friendly unions and federations. Supported by the Minister of Interior, pro-government unions, such as Cambodian Union Federation

(CUF), lured in members by providing gifts and other perks, but – in return – downplayed workplace issues, rarely led in strikes and generally took a more pro-employer stance (PPP 21 Mar 1997, 13 Apr 2001). The promotion of such "yellow" unions, fragmenting the labour movement and crowding out more assertive unions, became a prime strategy to curb workers' associational power during the 2000s (Arnold and Toh 2010). As result, the Cambodian union movement developed a deep and long-lasting fracture along political lines. Three main "currents" can be distinguished: A "pro-CPP" current, which maintains links to the ruling party; a "pro-opposition" current, connected to the opposition; and an "independent" current, formed as some unionists tried to stay out the growing politicization of other unions (Nuon and Serrano 2010, 73–85).

Estimates suggest that unionization in the garment industry rose dramatically during the 2000s. Figures reported in the annual human rights reports by the US Department of State indicate that the unionization rate rose from 5-10% in 2000 to 40-50% in 2005 and 70-75% in 2008, making the Cambodian garment industry the most heavily unionized of any industry in Asia (US Department of State 2001, 2002, 2006, 2009, 2011; Nuon and Serrano 2010). In parallel, the number of unions skyrocketed from 20 in 1997 to 87 in 2001 (organized in nine federations), 826 in 2006 (in 27 federations) and 1,754 in 2010, organized (in 41 federations)(ILO 2012). Since then, figures have continued climbing – in 2015, the country boasted 2,891 trade unions in 81 federations, still the vast majority centred on the garment industry (LO/FTF Council 2015, 1). This impressive unionization, nevertheless, overestimates the associational power of the Cambodian garment workforce. Already in 1997, the US annual human rights report noted that the majority of the then 19 registered unions had close links with the government or factory management (US Department of State 1998). Of the almost 100 federations that exist today, only a handful can be considered independent (Human Rights Watch 2015).

These cleavages pose a major obstacle to genuine unions. At the workplace-level, they have a hard time reaching "most-representative status", required by the law for negotiating collective bargaining agreements. In tripartite bodies such as LAC, they frequently find their efforts blocked by yellow unions, who consistently vote for the government's proposals (Nuon and Serrano 2010; Arnold 2013; Human Rights Watch 2015). The proliferation of yellow unions, arguably, reduces the industrial relations system of Cambodia to what Ward and Mouyly (2016) call "state-employer bipartism under the guise of tripartism" (2016, 269). Below, Figure 12, produced by the Solidarity Centre (ACILS), gives an overview (or rather illustrates the severe fragmentation of) the union movement as it looked in December 2016, while Table 5 provides basic information on some of the most important unions in Cambodia.

Figure 12. Overview of Cambodian labour movement



Source: Solidarity Centre, December 2016.

Table 5. Selected trade unions in Cambodia

Name	Established	National affiliation	International aff.	Members	Current	Leader(s)	Short description
Cambodian Union Federation (CUF)	1996	CCTU/CCNU		38,000 (2000) 56,000 (2003) 88,000 (2015)	Ruling party	Chuon Mom Thol	Union president serves vice-chairman of LAC and often represents the Cambodian labour movement abroad
Cambodian Federation of Independent Trade Unions (CFITU)	1999	CCTU/CCNU		25,000 (2003) 8,000 (2015)	Ruling party	Ros Sok (2000)	Direct descendant of communist-era trade union.
Cambodia Labour Union Federation (CLUF)	1998	CCWR/NACC		2,000 (2000) 7,000 (2003) 79,000 (2015)	Ruling party	Som Aun	Successor of the Free Unions Federation, whose president was investor in garment industry and advisor to the Prime Minister. Very pro-government.
Free Trade Union of the Workers of the Kingdom of Cambodia (FTUWKC)	1996	Non-affiliated		9,000 (2000) 25,000 (2003) 60,000 (2015)	Opposition	Ou Mary (1996-1999) Chea Vichea (1999-2004) Chea Mony (2004-2014)	Formed with support from opposition figure Sam Rainsy. One of the most assertive unions, especially in early years.
National Independent Federation of Textile Unions in Cambodia (NIFTUC)	1999	Non-affiliated		14,000 (2000) 17,000 (2003) 25,000 (2014)	Independent	Morn Nhim (1998-)	Created by garment workers, with the support of the Cambodian Labour Organization (CLO), as a coalition of grassroots unions. Very vocal.
Coalition of Cambodian Apparel Worker Democratic Union (C.CAWDU)	2000	CLC		7,000 (2003) 32,000 (2006) 73,000 (2015)	Independent	Ath Thorn	Founded in 2000 as result of split of NIFTUC, after public dispute with CLO. Today the largest independent union.
Cambodian Alliance of Trade Unions (CATU)	2014	CCU		7,000 (2014) 10,000 (2016)	Independent	Yang Sophorn	Established as part of opposition-linked union confederation CCU. Affiliated with IndustriAll.
Khmer Youth Federation of Trade Unions (KYFTU)	2000	CNC/CCNU		16,000 (2003) 100,000 (2006)	Ruling party		According to leaked cable, "perhaps Cambodia's most notorious union, with a reputation for extortion, violence, and abandoning its workers mid-strike"
Coalition Union of Movement of Khmer Workers (CUMW)	2010	CCW		30,000 (2016)	Independent	Pav Sina	Established by break-away from FTUWKC. Among the most assertive vocal unions today.

Source: LO/FTF Council (2015), Veasna and Nuon (2010), US Department of Labor (2003); WikiLeaks (2006), CNV International (2016).

Violence and intimidation against unionists – and shrinking democratic space

Secondly, authorities took a harder line against workers and independent unionists. From 2002 onwards, "press reports of violence against strikers on picket lines [became] increasingly common, reflecting declining state tolerance" (Hughes 2007). Such intimidation against trade unions, and other sections of civil society, intensified prior to, and especially after, the 2003 election. According to civil society reports, a paramilitary group known as the "Pagoda Boys", funded by the prime minister, was deployed against striking workers (LICADHO 2003, 8). The worrying pattern culminated with the killing of FTU president Chea Vichea, shot dead on a busy street in the morning of 22 January 2004. A few months later, another FTU activist, Ros Sovannareth, was killed in a similar manner. None of these killings were properly investigated, and in two cases, the government allegedly played a lead role in staging three scapegoats, all convicted despite lack of evidence[27]. Other workers, in particular if members of the independent unions, were beaten up, threatened, harassed or in other ways intimidated (LICADHO 2004b, 15–16). Provoked by these and other events, the International Confederation of Free Trade Unions decried that "the level of trade union harassment has now intensified and that a concerted attack against trade unionists is carried out in a climate of total impunity" (ICFTU 2005; LICADHO 2005, 16, 2006a).

On top of the use of violence, the government took steps to interfere in the freedom of assembly of Cambodian citizens. An anti-Thai riot in Phnom Penh in January 2003 was used as a pretext to ban practically all public gatherings, both before and after the election that summer – a trend that continued over the coming years (ADHOC 2004; LICADHO 2006b). Moreover, authorities increasingly deployed excessive force to disperse non-violent demonstrations and protests. In June 2003, for instance, a peaceful demonstration by hundreds of workers from the Terratex Factory was broken up by 1,000 military police officers, resulting in the killing of a worker (ADHOC 2004, 8; LICADHO 2004a, 5). Likewise, a May Day rally in 2006, organized despite the authorities' refusal, was obstructed, as hundreds of police and military police armed with rifles, electric batons and water cannons blocked all major roads into Phnom Penh (LICADHO 2007c, 2007a, 2007b).

[27]Later, two of them had their cases overturned by the Supreme Court (LICADHO 2010, 28).

Short-term contracts as union-busting strategy

If the government attacked the independent labour movement outside the factories, employers scaled up their efforts to suppress union activities within them (ICFTU 2005, 6). A third tactic that became widely adopted by garment factories in this period, and continues to plague the sector today, is the use of repeated fixed-duration contracts (FDCs), as opposed to unlimited-duration contracts (UDCs)(Arnold and Toh 2010, 417–19). Although the labour law puts a two-year limit on the continuous renewal of such contracts, the provision is routinely violated, and contracts of 3-6 months' duration, sometimes as short as three weeks, have become the industry norm (Xhafa and Nuon 2018, 21). Concerns over the use of FDCs date back to the early 2000s, but the trend took hold after the MFA phase-out in 2005 and accelerated after the global financial crisis. Beginning in large and highly-unionized factories, it quickly spread to smaller ones, hiring new workers exclusively on FDCs or shifting entire workforces onto such contracts, through "fake" shutdowns or rubberstamping by yellow unions (Arnold and Toh 2010, 417; Yale Law School 2011, 56). Consequently, the continuous employment on FDCs has become the standard form of employment in the Cambodian garment industry. One study identified just two factories in the entire country that relied exclusively on UDCs (Yale Law School 2011, 55), while another found that 80% of the surveyed factories employed "most or all of their workers" on FDCs (Worker Rights Consortium 2014). The near-universality of short-term contracts was confirmed during fieldwork, where all 20 workers interviewed were employed on such contracts.

Even though employers claim that workers prefer FDCs, the most thorough investigation of the issue concludes that the mass conversion to short-term contracts reflects "a top-down decision imposed by employers, often through coercion, manipulation, or deceit" (Yale Law School 2011, 77). Apart from allowing employers to evade workers' benefits in various ways, for instance by not extending visibly pregnant workers or "resetting" workers at each renewal, denying them access to entitlements conditional upon continuous service, FDCs have been widely used to prevent workers from joining unions or retaliate against union leaders and activists (Yale Law School 2011, 58–62). A common practice, which was mentioned by several fieldwork informants, is for "troublemakers" to be put on blacklists of workers who will not have their contracts renewed upon expiration. In this way, the "use of FDCs clearly facilitates employers' anti-union discrimination and suppression of free association" (Yale Law School 2011, 77; Arnold 2013; Fair Action 2015).

5.2.3 Strikes against high inflation: 2006 and 2008

That the various attacks by capital and the state against the independent labour movement were effective is reflected in strike trends after 2000. Not until 2007, according to the strike records of GMAC, did the number of strikes surpass that of 2000; and the number of person-days lost per worker declined almost annually, from 1.11 in 2000 to 0.19 in 2005, the lowest of any year on record (Figure 13 below). As ICFTU (2005) observed, workers' fear of losing employment after the dismantling of quotas gave "employers the upper hand in the factories" – and workers tended to accept violations of their rights in order to keep their jobs (2005, 5). In 2006, however, strike activity regained strength. The year saw the highest number of strikes (86) and person-days lost per employee (1.05) since 2000 and ended with 344,000 person-days lost, six times higher than in 2005 and more than the previous three years combined. The strikes were most likely related to the erosion of workers' real incomes, as 2005 and 2006 saw the highest inflation rates (above 6%) since 1998.

Amid escalating industrial conflict, the second minimum wage adjustment – six years after the first – was passed in October 2006. Again, the pressure from labour unrest played its part. The announcement that GMAC was willing to enter into bilateral negotiations with the unions came after two months of unusual strike intensity, with the number of person-days lost exceeding the *annual* figures for each of the previous years, and a threat of a general strike by FTU-president Chea Mony, who took over after his assassinated brother in 2004 (CD 1 Jul 2006). After four rounds of fruitless negotiations, the government decided to intervene, convening the LAC to advice on the matter (PPP 25 Aug 2006; CD 8 Sep 2006, 12 Sep 2006). At a hastily organized meeting the same day, a strong majority of the LAC – only the three independent and pro-opposition voted against – accepted a proposal by the labour minister to raise the minimum wage to $50, effective for four years from January 2007 onwards (MoLVT 2006).

Although the LAC decision in October 2006 effectively postponed another review until 2010, soaring living costs – in 2007, general consumer prices rose by 18.7%, while food prices jumped 24.2% – soon incited garment workers and their organizations to demand further wage increases. By the end of 2007, FTU urged GMAC and the government to increase the minimum wage by another $5. With no response from neither government nor employers, FTU representatives in late-March 2008 unanimously voted to stage a three-day strike. The day before the planned action, however, GMAC tentatively agreed to negotiate; and after an unproductive meeting, both parties accepted a proposal by the prime minister to introduce a $6-a-month "living costs allowance" (CD 2 Jan 2008, 4 Mar 2008, 24 March 2008).

5.2.4 Tightening the noose: New modes of harassment

With the escalation of industrial conflict, the crackdown against the independent unions reached new heights. LICADHO (2007a) observed that "2006 [saw] an explosion in cases of arrest, assault and other threats against trade unionists, particularly within the garment industry" and noted that union leaders were victims of "some of the worst physical attacks on human rights defenders in 2006" (2007a, 8). Such intimidation reached a climax, as the third FTU official in three years, Hy Vutthy, was shot and killed by two helmeted men on a motorcycle (ITUC 2008; LICADHO 2010). Towards the end of the decade, however, garment factories and the government gradually shifted their strategy vis-à-vis organized labour, from one of outright violence to a less overt, but no less effective, strategy of legal harassment. As OBS (2010) observes, the "authorities, which have close ties to the large company owners, have resorted to criminal proceedings against the trade union leaders who intend to make wage claims or organise strike action", typically on charges of "defamation", "disinformation" or "incitement" (OBS 2010, 24). For instance, in July 2009, four union activists from M&V Garments were handed a one-year prison sentence after demanding a pay rise (ITUC 2010). Thus leveraging a government-dominated judiciary became an increasingly common tactic by employers and the government to undermine workers associational power. As a result, ITUC (2011) identified a "growing trend among employers of taking trade union representatives to court in the event of a strike and demanding the payment of astronomical sums supposedly in compensation for the losses incurred during the work stoppage".

5.2.5 A record-breaking strike and its disappointing outcome: 2010-2011

In accordance with the 2006 agreement, minimum wages were re-negotiated in 2010. At a LAC meeting in February, the union group proclaimed the demand of a $93 minimum wage, a drastic increase backed by the first living wage survey conducted in Cambodia (Chandararot and Dannet 2009). However, as no further meetings had been scheduled by the end of April, a number of unions, including FTU and C.CAWDU, started mobilizing workers to pressure GMAC and the government to negotiate. By the end of May, 200 FTU leaders representing 86,000 workers voted to strike, if the LAC failed to raise the minimum wage to at least $70. In late-June, the government issued its own proposal, recommended by the prime minister himself: A $5 increase[28]. Unions (except the pro-government CUF) were dissatisfied with the recommendation; and C.CAWDU-president Thorn announced that, if adopted, his 50,000 members would join the FTU-organized strike scheduled for mid-July. Despite these warnings, the LAC accepted the government's proposal, with only C.CAWDU and NIFTUC, joined by three dissenting government officials, voting against. With this decision, the minimum wage was raised from 1 October 2010, and the next review scheduled for 2014 (CD, 28 Jun 2010, 9 Jul 2010; PPP, 5 Jul 2010, 9 Jul 2010).

While the FTU withdrew its strike plans, C.CAWDU and NIFTUC (and their respective affiliations, the Cambodian Labour Confederation, CLC, and the Cambodian National Labour Confederation, CNC) stepped up their efforts to mobilize workers (CD 15 Jul 2010). A week after a jointly organized public gathering in Wat Botum Park, met by hundreds security forces who blocked workers from entering the park, a coalition of 13 union leaders in early August sent a letter to GMAC and the Ministry of Labour, threatening with a mass strike unless discussions were reopened. As the call was rejected, the hitherto largest protest in Cambodian history unfolded in

[28] Technically, the government proposed an $11 increase, including an integration of the existing $6 cost-of-living allowance into the minimum wage.

mid-September 2010 (Heder 2011, 211). On the first day – according to CLC – 68,000 workers from 53 factories took to the streets; on the third, as many as 202,000 were striking[29]. On the fourth day, however, the unions suspended the strike after receiving a letter from the Minister of Social Affairs. Although GMAC made clear that there would be "absolutely no compromise on the minimum wage", employers were willing to discuss additional benefits (PPP 15 Sep 2010, 16 Sep 2010). After the strike, hundreds of local union leaders were dismissed, and a group of ten factories filed lawsuits against the unions, claiming compensation for an estimated $14 million in lost revenues (LICADHO 2012a, 40).

Over the following months, the three sides settled on a framework centred on the existing allowances and agreed to complete negotiations within a three-month period. Yet, as no resolution had been reached by early March 2011, the LAC was convened to pass a government-brokered proposal closely resembling that advanced by employers. With immediate effect, the mandatory attendance bonus was raised by 2$, to $7 per month, and the seniority system was extended, so that workers would receive $1 for every year of service from the second to the eleventh year. These meagre improvements, together with the minimum wage adjustment agreed the year before, brought the minimum income of garment workers up from $61 to $68 (PPP 16 Sep 2010, 1 Dec 2010, 8 Mar 2011).

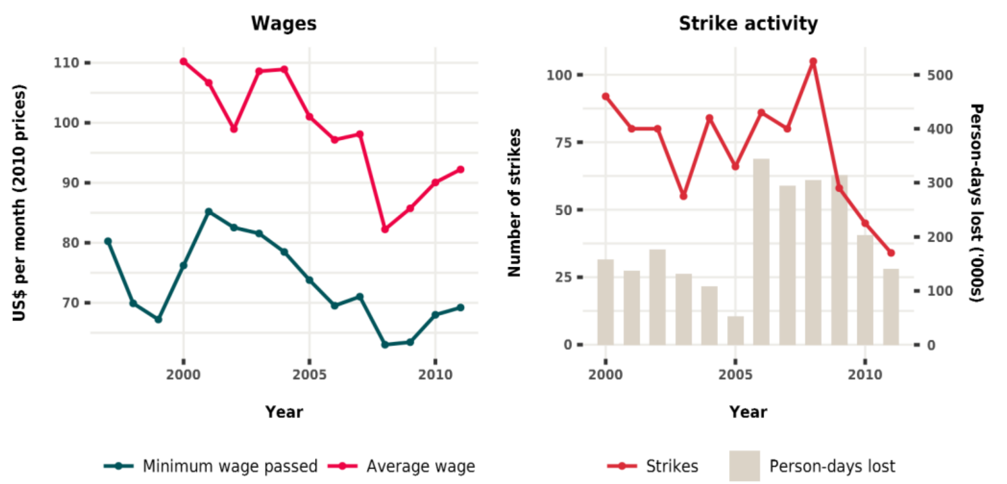
5.2.6 Averting social downgrading

As this review of events suggests, garment workers' collective resistance to super-exploitation – or threats thereof – was the motor behind virtually all major changes to the regulatory framework governing minimum wages and benefits from 1996 to 2011. Despite sporadic improvements, however, the concessions won by workers in this period were relatively meagre, as wage reviews were infrequent and failed to keep pace with rising living costs – a practice, which a union representative interviewed during fieldwork recalled as "a nightmare". Hence, while the five adjustments reviewed above caused a 70%-increase in garment workers' minimum income (minimum wage + mandatory benefits), consumer prices over this period rose by 111% with the result that the purchasing power of the legal minimum income was even lower at the beginning of 2012 than it had been 15 years before, reaching an all-time low in 2008, 21% below its 1997-level (see Figure 13 below).

Suffering from declining real wages, garment workers in Cambodia became increasingly malnourished and mass fainting still more common. Although reports of mass fainting date farther back, the phenomenon increasingly hit the news from the late 2000s onwards (CD 22 Jul 1999, 18 Feb 2003, 31 Aug 2009; PPP 16 Aug 2010, 5 Apr 2012; Reuters 13 Apr 2011). For instance, an investigation by the local NGO CLEC in autumn 2012 found that in M&V International, supplier

[29] GMAC generally gave a much lower estimates – 20,000 workers being absent from work, of which less than 10,000 were due to the strikes (PPP, 13 Sep 2010; PPP, 15 Sep 2010; CD, 14 Sep 2010).

Figure 13. Wages and strike activity, 1997-2011



Sources: Ministry of Commerce (Average wage, 2000-2016), ILO (Average wage, 2017-2018), MLVT (Minimum wage), GMAC (number of strikes and person-days lost), World Bank World Development Indicators (CPI).

to H&M and other major brands, fainting had happened *every day* for several years (PPP 7 Nov 2012). Although authorities gave diverging figures, the FTU estimated that around 1,800 workers fainted in 2011, a number that rose to 2,100 in 2012 (PPP 3 Jan 2013). While different explanations for the mass faintings were suggested – from chemical fumes, excessive working hours, insufficient access to water and even mass hysteria – a 2013 study by CLEC and Labour Behind the Label pointed at a common underlying condition: Malnutrition. The study found that with a daily food spending of just $1.5, the average garment worker consumed only *half* the amount of calories recommended for women working in industrial contexts (CLEC and Labour Behind the Label 2013, 2). This conclusion was corroborated by a 2014 survey conducted by the ILO and AFD, which found 43% of almost 4,000 workers interviewed to be anaemic, 16% to be underweight and less than a third to enjoy "food security" (BFC 2014).

Throughout the phase covered in this chapter, the legal minimum income in the garment industry was insufficient to bring two persons above the government's poverty line and fell severely short of a living wage, typically covering only a third of workers' living needs[30]. While other aspects of workers' situation may have improved in the period – as noted in the previous chapter, the BFC programme probably made some progress on core labour standards – the condition of highest importance to workers, the capacity of their incomes to buy goods necessary for the survival of themselves and their families, saw a marked deterioration. What accounts for the

[30] Own calculations based on a back-casting of government poverty lines (MOP 2013) and living wage estimates (WageIndicator.org) based on the CPI (World Bank WDI).

paradox that, over a 15-year period, the most heavily-unionized workforce in Asia largely failed to translate its growing associational power into substantial concessions? In the theoretical framework adopted here, clues may be found in the nature of workers' structural bargaining power vis-à-vis capital and the state.

5.3 Sources or workers' power

Two aspects of the structural power of Cambodian garment workers contributed to eroding their bargaining position during the cheap-labour phase: Their extremely low levels of marketplace bargaining power, and their marginality to the powerbase of the ruling party, giving them limited leverage vis-à-vis the state.

5.3.1 Marketplace power: The (creation of a) relative surplus population

The failure of the Cambodian labour movement to win deeper concessions, despite growing associational power and extensive industrial action, may be seen, partly, as predicated on extremely low levels of marketplace bargaining power. As elaborated in chapter 2, this source of workers' power springs from the conditions in the labour market. Quite intuitively, the more dependent employers are on a particular group of workers, whether due to labour scarcity, irreplaceable skills or whatever other factor, the greater bargaining leverage those workers have against employers. In the phase explored in this chapter, five interrelated factors served to undermine the marketplace power of Cambodian garment workers.

Labour surplus and baby boom

Firstly, at the arrival of the industry in the mid-1990s, Cambodia – as a typical "Lewis-type" economy – was characterized by "an abundant labour surplus" in the low-productivity agricultural sector (CDRI 2005, 47). According to the Cambodia Socio-Economic Survey, as much as four-fifths of the workforce was employed in agriculture (78.2%), mainly in rice farming, only a negligible share in industry (4.7%); and the vast majority as either own-account workers (44.5%) or unpaid family labour (45.3%) (CSES 1996; Ramamurthy et al. 2001). Although the official unemployment rate was below 1%, an ADB report estimated that the *underemployment* rate, understood as the share of employed ready to take more work, stood at 28% in 2000 and 38% in 2001; and, by the same token, the UNDP suggested that a third of the workforce was available for extra work in 2004 (CDRI 2005, 47). Unemployment and underemployment, moreover, were particularly pronounced for younger people. For instance, according to ILO estimates, unemployment among 15-24 year-olds peaked at 11.8% in 1998, twice as high as the general rate, and remained high (albeit declining) in the following years. Hence, as recognized by the National Institute of Statistics, the labour market in the late 1990s and early 2000s was characterized by a "vast supply of underemployed young adults in the low-productivity rural agricultural sector, ready to migrate to the urban areas to work in modern manufacturing or services" (CSES 2004).

The pool of young workers was greatly augmented by the second factor, a peculiar result of Cambodia's tumultuous history: A post-Khmer Rouge baby boom (Beresford 2005, 138). While other countries in the region experienced declining fertility rates in the 1980s, Cambodia, recovering from genocide, saw a "fertility bump". As result, when the first garment factories opened, almost half the population was below 15 years (CDRI 2005). As these children entered the working age, the number of young people available for factory work skyrocketed. Between 1994 and 2011, according to World Bank population estimates, the number of Cambodians aged 15-29 almost doubled, from 2.47 million to 4.74 million, rising from 24% to 33% of the total population (World Bank 2019). An effect of the baby boom was that up to 250,000 "fresh" workers were churned onto the labour market *every year* during the 2000s.

Primitive accumulation and working class formation

Thirdly, processes of primitive accumulation – the separation of producers (farmers) from the means of production (land) – contributed to a drastic expansion of the working class. Partly to keep vital resources in "friendly" hands after the capitalist transition, partly to finance a costly civil war, the Cambodian government in the mid-1990s began a large-scale "privatization" of land and natural resources. By the end of the 2000s, consequently, more than two million hectares – as much as 60% of all cultivable land in the country, totalling the size of Wales – had been granted as "economic land concessions", i.e. long-term leases for agricultural or agro-industrial development, to local business tycoons, members of the political elite and foreign investors (ADHOC 2014, 10). When mining concessions are added, a fourth of Cambodia's surface area had been transferred to private hands (LICADHO 2012b; ADHOC 2014, 11).

If these concessions did not violate the use rights of rural Cambodians *on paper*, as only "idle" or "unproductive" state-owned land was eligible, *in practice*, the allotted land was frequently cultivated by subsistence farmers or served as a pool of common property resources of vital importance to rural livelihoods. Hence, the "carving up" of Cambodia resulted in a flood of land disputes and forced evictions (Neef and Touch 2016, 124). Although no official data exists, information collected by LICADHO suggests that, between 2003 and 2011, more than 400,000 Cambodians were victims of "land-grabbing" (2012b, 9), while ADHOC estimates that 150,000 families, or around 770,000 persons – amounting to 6% of the entire population – were adversely affected during the 2000s (2014, 26). Adding to this, many families resorted to distress sale of their land, due to illness, natural disasters, accidents, lack of savings or credit or other "external shocks", a practice which was aggravated by the complete lack of a social security system (Ramamurthy et al. 2001, 51; Kenjiro 2005). Furthermore, with the population boom mentioned above, parents found it still more difficult to keep with the custom of allocating part of their plots to children upon marriage, and many households, therefore, never obtained land ownership in the first place (OXFAM 2000).

As result of these trends, the 1990s saw the emergence, and the 2000s a deepening, of a problem hitherto unknown in Cambodian history: *landlessness* (Boreak 2000; Slocomb 2010, 257). A study by Oxfam (2000) suggested that the share of the rural population "having no agricultural land and not having the means to purchase it" rose rapidly, from 2.5% in 1984 to 5% in 1989 and 12% in 1999 (2000, 26); the World Bank (2007) estimated that rural landlessness increased from 13% in 1997 and 16% in 1999 to 20% in 2004; and CDRI (2014) found that that in the second half of the 2000s, it reached 27%. Additionally, the share owning less than one hectare, barely enough for subsistence needs, was found to fluctuate around 47%. In sum, less than two decades from the capitalist transition, two-thirds of rural households in Cambodia had become either landless or "land-poor" (World Bank 2007, 85; Sophal 2008, 2; Phann et al. 2014, 10). In parallel, the richest 10% of the population had come to own two-thirds (64%) of the land, the top 1% an estimated 20-30%, and a relatively egalitarian land distribution had been transformed into one of the most unequal in the region (World Bank 2007, 54; Hughes 2008a, 71). Equally important, the "sell-out" worked to "remove access to common land, forests and fisheries that rural dwellers had always regarded as theirs by customary right" (OXFAM 2000, 8; CDRI 2007, 145; Slocomb 2010, 256). Hence, the privatization of land, in a Cambodian version of the British "enclosure of the commons" that Marx discussed in *Capital*, drove the parallel processes of depeasantisation and proletarianization, that is, the formation of a "free" working class dependent on wage employment for its reproduction (Akhram-Lodhi and Kay 2010; Bernstein 2010, chap. 2; White et al. 2012). As political analyst Lao Mong Hay told the *Cambodia Daily* in 2012, "this policy of favouring big companies has turned our people from landowners to a landless working class" (LICADHO 2012b, 11).

Rural poverty, migration and the search for jobs in the cities

The three factors discussed above contributed to fourth: rural poverty and the growing inability to survive from subsistence farming. Poor productivity growth, just 0.5% per year between 1994 and 2004, made Cambodian agriculture sector one of the least productive – and with the lowest rice yield – in the region (UNDP Cambodia and MOP 2007, 16; World Bank 2007, viii). While, according to the World Bank (2007), the poverty rate for rural areas fell from 43% in 1993/4 to 34% in 2004, a revision of the methodology readjusted it to 59% in 2004 and 58% in 2007 (World Bank 2014, 9). Moreover, even if there was a decline in absolute rural poverty, poverty reduction was much faster in urban settings, resulting in greater disparity between countryside and city. In 1994, the poverty incidence in rural areas was 4 times higher than in Phnom Penh – in 2004, it had grown to 7 times higher, and by 2007, it had become 22 times higher. To aggravate the situation, a series of natural disasters – droughts in 1994, 1997, 1998 and 2004, and floods in 1996, 2000 and 2001 – resulted in crop failures and food shortages (CDRI 2012). Thus, as Hall

(2000) observed, the arrival of the garment industry came "at a time when poverty in rural areas [was] deepening and reaching crisis proportions" (2000, 133).

Rural poverty and the inability to survive from farming became the major push factors that motivated rural households to send young people, in particular women, to work in the cities, and triggered an outright "exodus" towards Phnom Penh (Hughes 2003, 34–38; CDRI 2007, 151). Based on census data, a collaborative research project by the UNFPA and the Ministry of Planning estimated that between 1998 and 2008, rural villages lost, on average, 4% of their population *annually* to urban areas (MOP 2012, 10). As result, the population of the capital doubled in just eight years, from less than 568,000 in 1998 to more than 1,100,000 in 2006 (2012, 18). Survey data gathered as part of the project suggested that the majority of incoming migrants (87%) were looking for jobs, encouraged by their parents or other relatives (85%), and sent remittances back to their rural-based households (87%) – and that half of *all* female migrants were garment workers (2012, 51). Hence, from the beginning, labour migration towards the booming garment industry was an important survival strategy for rural households coping with pressure on their traditional livelihoods, and young workers were under great pressure to remit money back to their families[31] (CDRI 2007, 165).

A fifth factor, finally, fed into the erosion of workers' marketplace power during this phase: the many young migrants who took up jobs in garment factories had few better options. According to surveys among vulnerable workers regularly conducted by CDRI, garment workers in the first half of the 2000s earned significantly more than in alternative jobs. On average, over the years 2000-2004, the surveys indicate that the daily income of garment workers was more than twice than of rice-field workers (113%), scavengers (129%) and waitresses (152%), and a third higher than of small vegetable sellers (32%). Only male-dominated occupations such as moto-taxi drivers, cyclos and construction workers, earned higher daily wages (CDRI 2006, 2012, 2017).

In addition, as the expanding capitalist sector was unable to absorb the growing labour force, the service sector, especially petty trade, ballooned. CDRI (2007) shows that of the almost 3-million strong expansion of the labour force from 1995-2005, only 23% was absorbed by the manufacturing sector, while almost half ended in the service sector (47%) (2007, 75). Within manufacturing too, few alternatives existed: the estimated share of the garment industry in total manufacturing employment rose from around a third (37%) in 2000 to four-fifths (79%) in 2008, and as much as 95% of all female manufacturing employment[32]. These figures indicate that during the phase explored in this chapter, the growing number of garment factories represented, by far, the most attractive employment option for young women seeking non-farm employment.

[31] In a survey by CDRI (2007), 78% of garment workers reported that they or their families owned less than 1 ha of land, while 8% were landless (2007, 53).

[32] Estimate based on data on garment and footwear employment from Ministry of Commerce, an estimated share of women of 90% and female manufacturing employment from ILOStat (Employment by sex and economic activity, ILO-modelled estimates, ISIC D).

Outcome: An erosion of marketplace bargaining power

In combination, the above factors meant that Cambodia's integration into the global garment GVC took place in the context of a drastic expansion of the working class. In such setting, as envisioned by Lewis (1954), factories faced a virtually unlimited supply of workers and could expand without shortages emerging. This picture was confirmed by fieldwork, where all managers of factories that operated prior to the "critical juncture", as well as representatives of GMAC, concurred that Cambodia had (and to some extent continues to have) a substantial labour reserve, making it easy for garment factories to recruit workers. The oversupply of labour is also cited in media. In 2000, for instance, Roger Tan, factory manager and then secretary-general of GMAC, told *Wall Street Journal* that "we turn away 100 to 150 people every week" (Wall Street Journal 28 Feb 2000). Two years later, the manager of a Singaporean-owned factory reiterated that "workers are abundant [...] any time we put an advertisement outside, we can get 100 or 200 workers for an interview" (Big Empire 2002).

While capital obviously benefitted from the steady supply of cheap labour, the endless inflow of "competing" workers from the poverty-stricken countryside, desperate to get a job in the capital, placed a severe curb on the marketplace bargaining power of garment workers. All the workers interviewed during fieldwork reported having taken up factory work to escape poverty in the countryside, to augment family income or to support parents in the event of illness. Most of them disliked their jobs but worked hard, away from home, to earn money for their families. The constant inflow of labour, moreover, empowered employers' anti-union practices, allowing them to, easily and at negligible cost, replace "troublesome" workers. In sum, therefore, the existence – and augmentation – of the surplus population in the phase of social downgrading greatly tilted the balance of class forces to the advantage of capital.

However, as will be clear from the next chapter, the above factors changed during the 2000s, leading a tightening labour market towards the end of the decade. From the perspective of marketplace bargaining power, in isolation, this begs the question why the September 2010 strike, of unprecedented size and intensity, proved so relatively ineffective. Here, the timing – in the aftermath of the global financial crisis, which severely hit the Cambodian garment industry – is of crucial importance. In 2009, according to the Ministry of Labour, 68,000 garment workers were terminated, salaries declined by 20% due to a cut in overtime, 153 factories closed down – and garment exports registered a 20% drop (Chandararot and Dannet 2010a, 2010c, 2010b; Hughes 2010, 93). Although the industry reabsorbed some workers during 2010, employment did not reach pre-crisis levels until 2011. Overall, the 2008-2010 period saw the slowest growth in employment of any three-year period in the history of the garment industry. In no need to hire, therefore, garment factories made little notice of the tightening labour market – and not until the industry recovered were the first labour shortages felt by employers.

5.3.2 Regime-disruptive bargaining power

A second source of structural power, arguably, hindered the garment workforce from transforming collective action into greater material improvements: its marginal position in the powerbase of the ruling party. With the strategic-relational conception of the state adopted in the thesis, the relationship between the labour movement and the state – including the position of the working class vis-à-vis the ruling coalition underpinning the state apparatus, and the capacity to threaten the political regime – enter as important explanatory factors.

The "mighty patronage machine" and the rural powerbase of the ruling party

A major trend of Cambodia's recent history is the deep-seated consolidation of power of the prime minister and his Cambodia People's Party (CPP). After the shocking defeat in the UN-sponsored 1993 election – in which Hun Sen managed to get into a coalition with FUNCINPEC, with Prince Rinarridh and himself as co-prime ministers – the CPP shifted its strategy. Launching what Morgenbesser (2016) calls a "counter-reform agenda", the party took a series of initiatives aimed at preserving control in the context of externally-imposed democratization. By blocking decentralization reforms, requested by FUNCINPEC and international donors, postponing commune elections until 2002, and delaying new appointments of district and provincial administrators to 2008, the CPP maintained its pre-transition monopoly over local authorities (Un 2005, 213).

Moreover, the party changed its mode of engagement with the electorate, "from the use of intimidation and violence to patronage politics in the form of material inducements" (Un 2005, 205). For this purpose, it reinvigorated two aspects of Khmer tradition: the Buddhist image of the "meritorious benefactor" and the formation of patron-client networks of reciprocal support and protection (Hughes 2006, 470). From the late 1990s, the CPP started rolling out what Strangio (2014, 98) calls a "vote-harvesting scheme", distributing patronage to rural areas – the ultimate source of political legitimacy in a country, where 85% of the populace lives in the countryside (Un 2005, 213, 2006, 244). Through a rural "gift-giving" programme, the construction of schools, roads, health clinics and temples was represented as personal gifts from Hun Sen or other high-ranking members of the political elite[33] (Hughes 2006, 472; Strangio 2014, 97–98). By 2010, according to his own website, the prime minister and his first lady had funded roughly 3,500 schools with 18,000 classrooms. Although these projects were framed as disinterested generosity, the ruling party obviously expected something in return. Here, the monopoly over local politics proved useful, as it offered "an unbroken chain of authority from the national to the local level", through which resources could be channelled downwards in exchange of loyalty upwards (Morgenbesser 2016, 76). To ensure the flow of "gifts", commune and village chiefs would actively campaign, or

[33] The extent of "generosity" is well illustrated by the run-up to the 2003 national election: In the month prior to the start of the election campaign, "gifts" from Hun Sen amounted to "almost US$170,000 in cash, 58 school buildings, five bridges, 43 kilometres of road, more than 400 tonnes of rice, 130 tonnes of cement and 320 sewing machines, as well as computers, printers, photocopiers, generators, televisions and other electronic equipment" (Hughes 2006, 472–73).

otherwise "convince" citizens to vote, for the CPP. Villages that failed to mobilize support experienced a "drying out" of patronage (Un 2005, 222; Hughes 2008b, 207).

To fuel its sprawling patron-client networks, the CPP gained control over the most important economic ministries. In 1994, finance minister Sam Rainsy, then FUNCINPEC member and outspoken critic of government corruption and his own party's blind acceptance of Hun Sen's dictates, was sacked, replaced by a CPP loyalist and kicked out of the National Assembly (Strangio 2014, 67–70; Morgenbesser 2016, 62). Moreover, the party successfully amassed vast off-budget revenue streams from business tycoons, offering profitable opportunities – contracts, licences and, as discussed above, land concessions – and the highest honorifics in the country in exchange of financial "donations" (Un 2005, 224–27; Hughes 2008b, 210–11; Morgenbesser 2016, 62–63). Consequently, the bulk of local development in this period was financed by Hun Sen or the CPP rather than the chronically under-funded commune administrations. According to one estimate, the level of CPP-funding was two-three times higher than state funding (Hughes 2010, 87). Linking the material interests of the electorate, the business elite and all layers of the political structure to their tireless loyalty, the CPP crafted a "mighty patronage machine" (Hughes 2010, 88) that proved highly effective in sustaining control over the state[34].

To protect its position in the rural heartland, moreover, the CPP excluded political rivals from mobilizing in the countryside (Un 2005). In addition to subjecting opposition parties to harassment and intimidation the government maintained strong control over mass media and repeatedly denied them broadcasting licences (Un 2005). The vast majority of TV and radio channels, owned by the state or CPP-affiliates, promote the ruling party and especially Hun Sen (Un 2005). In the 2002 commune election, for instance, the government and the prime minister, together, were found to account for 86% of all airtime in broadcast news, while FUNCINPEC and Sam Rainsy's self-named party (SRP) each received less than 2% (COMFREL 2002, 16).

Consolidation of power – marginalization of rivals

In a parallel track, the CPP made great efforts to side-line political rivals. Growing tensions within the first coalition culminated in a "coup"[35] in 1997, in which Hun Sen ordered his body guard to remove his "partner". The prince fled to France, several FUNCINPEC elements were removed from the government, and dozens political executions took place. The event dealt a severe blow to the royalist opposition: the party disintegrated into five factions, and Ranariddh was, in absentia, convicted to 18 months in jail (Peou 1999; Downie 2000). Although the prince returned on royal pardon, FUNCINPEC recorded declines in the following elections, its share of the votes

[34] The effectiveness of this strategy is evident from public opinion polls conducted in Cambodia. In 2003, when surveyed about their reasons for voting for a political party, two-thirds of respondents cited "the delivery of material resources" as one of their two main reasons, while just 28% based their decision on "the party's policies, views and ideology" (Asia Foundation 2003). A few years later, another survey suggested that of the three-fourths (71%) of Cambodians that viewed the country as going in the right direction, 78% attributed this to infrastructural development – and quite tellingly, more respondents believed that the prime minister or the CPP, combined, were responsible for these improvements than any other political institution (International Republican Institute 2007).

[35] Whether the term "coup" is an appropriate description of what happened is a matter of academic and diplomatic debate

dropping from 45.5% in 1993 to 31.7% in 1998 and 20.8% in 2003 (Heder 2005, 121). In 2008, after the CPP-backed ousting of Ranariddh, the once-powerful party obtained just 5.1% of the votes and two seats in the National Assembly (Peou 2011, 88).

An attempt by FUNCINPEC after the 2003 election to team up with Rainsy, whose party had now become an opposition force on par with the royalists, was thwarted by the CPP. After an 11-month deadlock with escalating political violence, Ranariddh accepted a deal involving 160 new government posts – a desirable solution, as many of his members had their campaigns funded by Hun Sen's cronies, turning the party into what Heder (2005) caricatured as a "partly owned subsidiary of CPP and its tycoons" (2005, 118). The deal resulted in the world's largest cabinet with 332 members (ADHOC 2004, 4; Beresford 2005, 135). Now, the royalists colluded with the CPP in targeting the SRP (Heder 2005, 121). In 2005, Rainsy (and two other SRP members) were stripped of their parliamentary immunity to be prosecuted in lawsuits filed by members of the ruling coalition. Rainsy fled to France, but was convicted in absentia (Weggel 2007, 142). After the 2008 election, where the opposition leader was allowed to return on the condition that he backed a constitutional amendment removing the two-thirds majority required to form government, Rainsy again faced new politically-motivated lawsuits (Hughes 2008a, 74). In 2010, he was found guilty and sentenced to 12 years in prison – a conviction that forced him into his second exile in France (Hughes 2010; Heder 2011).

With its patronage-based grip of the countryside and the marginalization of political rivals, the CPP became the all-dominating force in Cambodian politics. In each of the national elections prior to 2013, the party increased its share of the vote, from 38.2% in 1993 and 41.4% in 1998 to 47.3% in 2003 and 58.1% in 2008. Correspondingly, its number of seats in the National Assembly grew from 51, 64 and 73 in the first three elections to 90 out of 123 in the fourth. As result, in 2008, Hun Sen could for the first time form a single-party government (Hughes 2008b, 206–7). At the local level, CPP dominance was even more pronounced. Once the first commune elections, delayed almost a decade, were held in 2002, the ruling party won 68% of all seats and retained the chief positions in *all but 23* – more than 99% – of the country's 1,621 communes; a position that went unchallenged in the local elections of 2007 and 2012, where the CPP won, respectively, 98% and 97% of the communes (COMFREL 2002, 2007, 2012).

Result: Narrowing political leverage for labour

From this brief review of post-transition Cambodia politics, two points can be made regarding the capacity of the garment workforce to extract concessions from the state. Firstly, the urban-based industrial working class remained marginal to the powerbase of the ruling party. Hun Sen and the CPP – in power since the Vietnamese-backed overthrow of the Khmer Rouges in 1979 – derived its legitimacy from the countryside, whose support was secured through a mix of patronage-based delivery of infrastructure and suppression of political rivals. With control firmly rooted in rural Cambodia, the situation of the emerging working class remained practically unimportant to the survival of the regime.

Secondly, the political forces that *did* cater to workers were increasingly marginalized. Although the SRP can hardly be described as a worker's party, it found a much-needed urban support base in the garment workforce in the mid-1990s. Quick to tap into workers' grievances, Rainsy and other SRP members, as noted above, were instrumental in the establishment of the first non-CPP-aligned trade union (FTUWKC) and frequently joined demonstrations or visited picket lines. Initially, the SRP and FTUWKC enjoyed close relations, with the union actively mobilizing workers for political demonstrations, and the party including higher minimum wages in its agenda (Hughes 2007, 843). According to Hughes (2007), however, the launch of the ILO Garment Sector Project in 2001 (later renamed BFC) weakened the ties by promoting a *depoliticization* of the union movement (2007, 844). While the SRP gradually distanced itself from the union, the party itself was, as shown above, increasingly marginalized in national politics, as the CPP consolidated its dominance.

The narrowing of political leverage of the garment-centred labour movement is well illustrated by contrasting the early successes with the disappointments towards the end of the 2000s. Led by the FTUWKC with active support from the SRP, who came out of the 1998 election as a strong opposition force, the first waves of labour unrest played out in a more open-ended political context and were largely beyond the control of the CPP. In contrast, the 2010 strike wave took place under a CPP-led one-party government, with an opposition in pieces, Rainsy in exile and severed party-union ties. The political developments of the 2000s, hence, left Cambodian garment workers and their allies with still weaker bargaining power vis-à-vis the state. As will be seen in the next chapter, the critical events of 2012-2014 suddenly changed the situation.

5.4 Economic trajectory: Super-exploitation and super-profits

In the preceding, it was argued that structural weaknesses of labour vis-à-vis capital and the state are key explanatory factors in why Cambodian garment workers, despite more than a decade of collective action, could not avoid social downgrading. The remainder of the chapter interrogates the dialects between such unfolding class relations and the *economic* trajectory of the garment industry – how class struggle was both shaped by, and had implications for, economic development. The first subsection examines how the price squeeze affected garment producers, while the second discusses the extent to which economic upgrading was achieved. The third subsection scrutinizes trends in labour productivity, showing that the decoupling of export prices from living costs gave rise to a structurally shrinking real surplus. The final section looks into the investment behaviour of foreign-owned firms, arguing that the combination of cheap labour and super-profits discouraged manufacturers from investing in economic upgrading.

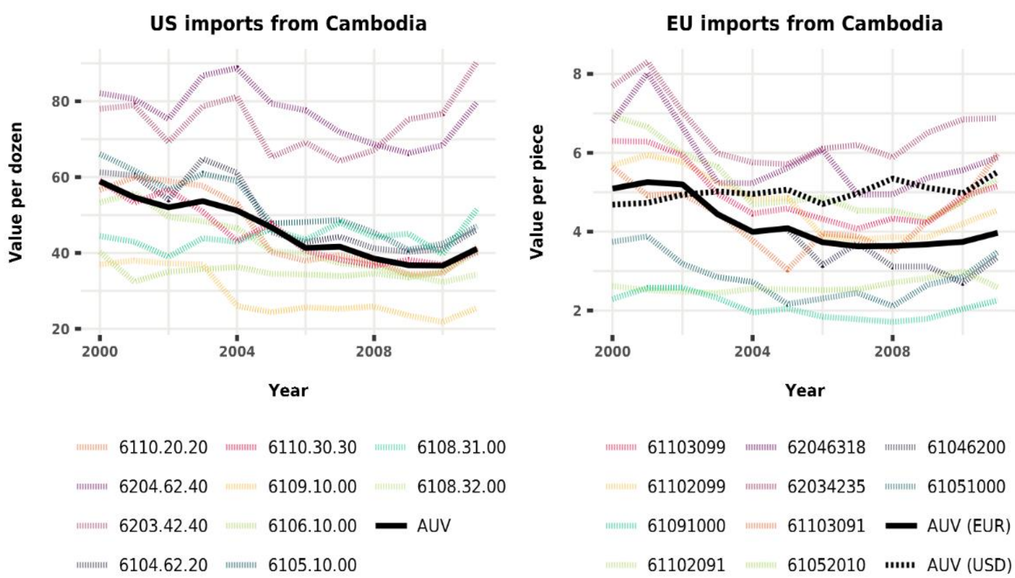
5.4.1 Manufacturers in the squeeze

In chapter 3, the "sourcing squeeze", with simultaneous pressures on export prices, product quality, lead times and flexibility, was identified as one of the main trends of the contemporary garment GVC. In Cambodia, the downwards pressure on prices can be easily be observed from international trade data. As in chapter 3, Figure 14 below plots the unit values – in $/dozen for the US and €/piece for the EU – of the ten largest categories of garment imports from Cambodia over the period 2000-2011 (the subsequent period is examined in chapter 7). Moreover, the aggregate unit value (AUV) across all garment categories is shown. For the US, as seen, aggregate unit values declined from their peak at 58.9 $/dozen in 2000 to 41.1 $/dozen in 2011. Deflation was particularly strong after the MFA phase-out, manifest in a 27% decline in the five years from 2004 to 2009, but flattened out after the global financial crisis. The significant jump in unit values in 2011 most likely reflect the peak in international cotton prices that year. Though aggregate figures conceal some product variation, the general trend is clear: eight of the ten largest product categories recorded declining unit values from their peak before the MFA phase-out until 2011, in four cases rather drastically. For instance, the value per dozen women's or girls' blouses of cotton plummeted by 38%, while the unit value of cotton t-shirts dropped by 33%.

The pattern for the EU is not fundamentally different. Aggregate unit values peaked at 5.3 €/piece in 2001, declined steeply to 3.7 €/piece before the crisis and stabilized at this level. Although the deflationary tendency abated after the crisis, eight of the ten largest categories had lower unit values in 2011 than at their pre-2005 peaks. The interpretation, however, is complicated by the fact that many garment factories denominate prices in US dollars, whence the values recorded in EU trade statistics may be a poor reflection of the actual prices received in Cambodia. Transformed into dollars, as shown in the graph, unit values on EU garment imports from Cambodia were almost constant during the 2000s. As before, it should be remembered that these trends are in *nominal* values.

Trade data, therefore, suggests that for producers for the two largest end markets – together accounting for 80-90% of all garment exports in this phase – the global price squeeze clearly took its toll. This conclusion was confirmed by garment manufacturers interviewed during fieldwork in autumn 2017. One factory manager explained that over the past decade and a half, the prices of his products had only gone "down, down, down", as buyers repeatedly demanded that "this time, we want it cheaper". Under the pressure from competitors with either lower wages (such as Bangladesh) or higher productivity (such as Vietnam), factories had no other choice than accepting buyers' terms. Statements like that of the manager of a Chinese-owned factory were common: "For every season, every year, buyers always keep pressing for lower prices – they have many other opportunities and can easily shift to other countries". As will be argued below, these pricing dynamics have crucial implications for the ability of manufacturers to pay higher real wages, and for the modality of capital-labour relations in the Cambodian garment industry.

Figure 14. Import unit values, US and EU, 2000-2011



Note: US import data extracted from USITC dataweb; EU import data downloaded from ComExt and covers EU-15. The graphs cover HS 61 and 62 at the 8-digit level. For each country, the ten largest import categories over the entire period were chosen. Only categories with quantity measured by dozen (US) and by piece (EU) are included. These, in both case, account for the vast majority of garment imports. Exchange rates (EUR-USD) from Statista (2018).

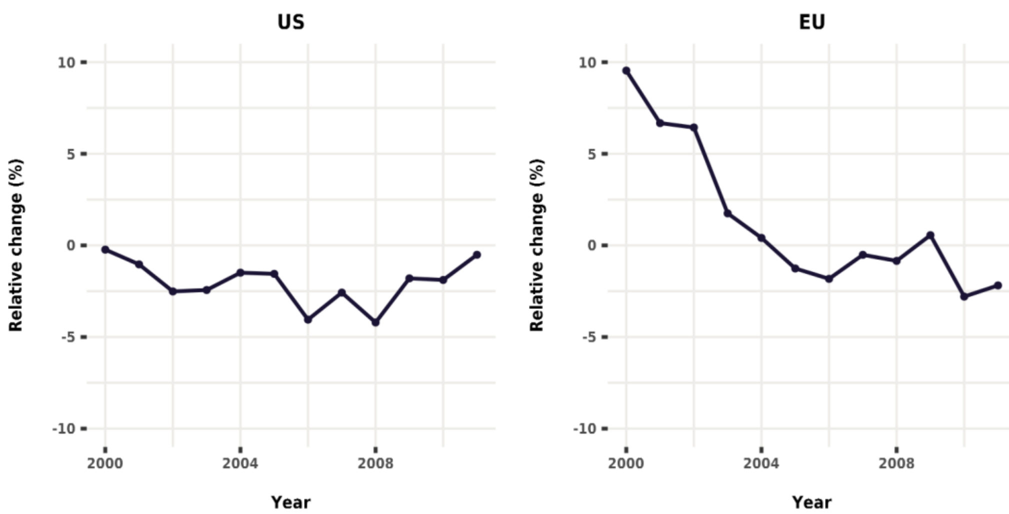
5.4.2 Upgrading of functions, products and processes?

To what extent did garment manufacturers, despite the price squeeze, achieve economic upgrading? Fieldwork and previous research suggest that the expansion of the Cambodian garment industry engendered practically no functional upgrading. A 2003 survey among 164 garment manufacturers found that 90% were solely engaged in the sewing of fabrics (Yamagata 2006, 23), while an ADB study in 2004 put the share at 70%. Available data indicate that relatively little changed during the 2000s. For instance, Lopez-Acevedo and Robertson (2012, 74) reports a CMT share of 75-90%. Neither is product upgrading apparent. A simple indication of this is that the 20 largest export categories in 2000[36], representing 81% of all garment exports that year, still accounted for 76% in 2011. To examine whether the shifts that *did* occur represent a move towards higher- or lower-value goods, Figure 15 depicts the isolated effect of compositional changes on aggregate import unit values, discussed above[37]. To disentangle long-term trends from annual fluctuations, 3-year moving averages are shown. As seen, for the US, changes in the product mix consistently

[36] At the 6-digit level of HS, data from UN Comtrade

[37] Following Goto (2012), changes in aggregate unit values can be broken into an intra-product component (price changes within specific product categories) and an inter-product component (changes in the composition of the product mix). The two components are easily estimated. To estimate the change in the intra-product component between two years, the share of the product categories in total exports is kept at its average, multiplied by the price change in the category and summarized across all product categories. For inter-product upgrading, the average price in two years is multiplied by the change in export shares.

Figure 15. Effect of compositional changes on aggregate unit values, 2000-2011



Note: Based on the same data as Figure 14. Calculated using methodology from Goto (2012).

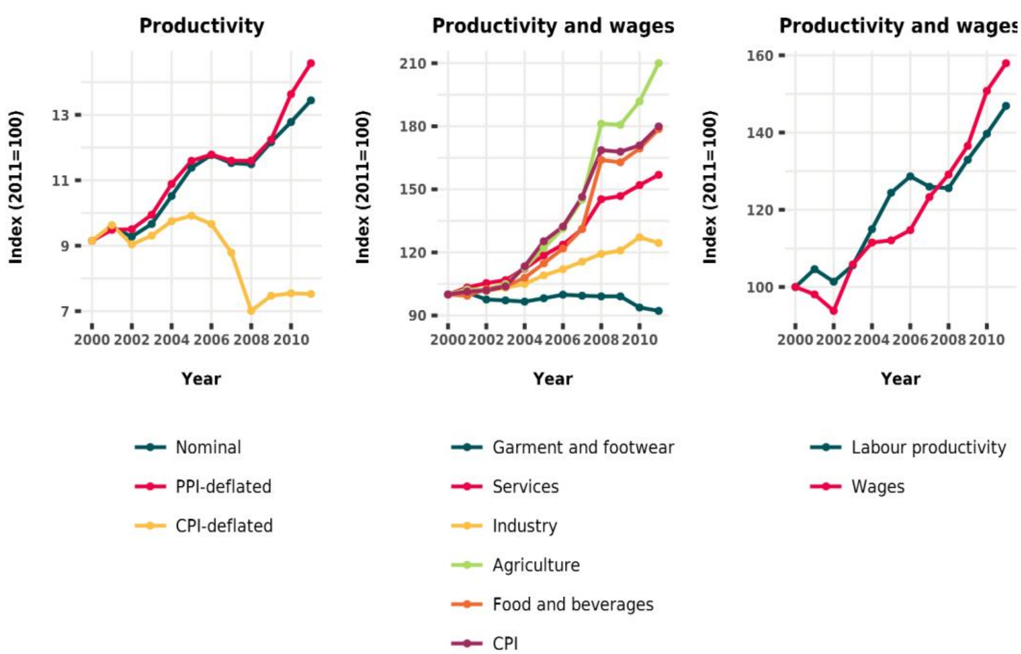
had a negative effect on aggregate import unit values during the 2000s (the line is below 0), while for the EU, the effect turned negative after the MFA phase-out. With the US being the largest export destination throughout the 2000s, it seems fair to conclude that the overall trend during this phase was one of product *downgrading* (Asuyama and Neou 2016, 59–63).

In contrast to functions and products, there are some signs of upgrading of production processes. This conclusion is supported by studies conducted by researchers from IDE-JETRO, who – based on firm surveys in 2002 and 2008 – found that productivity improvements in the Cambodian garment industry during the 2000s were the result of frequent firm turnover, i.e. the replacement of lower- with higher-productivity firms, as well as improvements in "continuing" firms (Asuyama et al. 2013; Asuyama and Neou 2016). Examining the characteristics of high-productivity firms, the authors find that higher productivity was associated with, among other things, improvements in production efficiency and having better-educated workers. In addition, the analysis suggests that higher productivity was achieved through industry-wide improvements in production management (Asuyama and Neou 2016, 53).

5.4.3 Labour productivity, price decoupling and super-exploitation

As argued in chapter 2, the extent to which firms can compensate higher wages through higher labour productivity has a priori implications for capital-labour relations. With sufficient improvements in value-capture per worker, profits and wages can grow at the same time, offering some scope for a class compromise. As seen in the left panel of Figure 16, based on value-added data from national accounts and employment data from the Ministry of Commerce, the Cambodian garment and footwear industry fared quite well in raising labour productivity during the 2000s. In fact, value-added per worker, a conventional measure of labour productivity, grew by 46% in nominal terms from 2000 to 2011; and, reflecting the fall in producer prices, PPI-deflated productivity grew even more, by 59%[38]. One may think that such productivity spurt provided ample room for financing social upgrading. After all, with a compound annual growth of 4.4%, it outpaces the performance of the US economy during the "Golden Age" (1948-1973), where an annual labour productivity growth of 2.7% undergirded the post-war class compromise that doubled real wages in the course of a few decades (Mishel et al. 2015, 3).

Figure 16. Labour productivity, producer prices and wages, 2000-2011



Note: In left graph, labour productivity is calculated by dividing value-added in garment and footwear (from National Accounts, NIS 2018) by employment (Ministry of Commerce). CPI from World Bank World Development Indicators. In centre graph, the series represent the implicit price deflators used in National Accounts (NIS, 2018) for selected branches of the economy. In right graph, wage data is from the Ministry of Commerce.

[38] An important caveat is that changes in the prevalence of subcontracting may affect the figures. Only directly exporting factories are recorded in MoC employment data, while output and export data record all factories in the country. By comparing Labor Force Survey (2012) with MoC records, ILO (2017) suggests that the subcontracted sector accounts for 28% of employment. Similarly comparing data from the 2000 Labour Force Survey with MoC employment data suggests that it was more or less the same, around a third, in the early 2000s.

Here, however, the peculiar pricing dynamics of the garment GVC intervene. In contrast to the US economy, where producer and consumer prices rose in tandem, prices paid to garment manufacturers in Cambodia were absolutely decoupled from rising living costs: producer prices *dropped* by 8%[39] over 2000-2011, while consumer prices jumped by 79%. Due to this divergence, deflating value-added per worker by the *producer* price index, as is usually done, gives a highly distorted impression of its capacity to pay higher real wages. A more realistic assessment may be gained by adjusting it according to the *consumer* price index, as also shown in Figure 16. As seen, CPI-deflated labour productivity grew slightly until 2005, but declined in the post-MFA context. As result, despite the seemingly impressive productivity growth, the purchasing power of the value captured per worker in *local consumer markets*, where workers reproduce themselves, ended in 2011 well *below* its 2000-level.

This experience suggests that in the lower rungs of the garment GVC, the price squeeze confronts manufacturers as an obstacle, not to raising productivity in *volume* terms, but to translating this into sufficient *value capture*. Logically, value captured can be augmented in three ways: higher *prices*, higher *volumes* or lower *costs*. With flat prices, the burden falls squarely on the latter two. And since garment production still depends heavily on manual labour, with many operations unfit for mechanization or automation, it is nearly impossible for productivity to keep pace with consumer prices. In a pinch between deflationary export prices and inflationary living costs, hence, the Cambodian garment industry may be seen as suffering from a *structurally shrinking real surplus* and, hence, a systemic squeeze on profits. These conditions were recognized by industry representatives in Cambodia. The metaphor used by the manager of a Malaysian-owned factory aptly describes the challenge: "It is like rowing a boat upstream – if you don't row fast enough, you are going backwards". Factory managers generally agreed that the combination of deflationary export prices, rising living costs and limited scope of technological fixes made it extremely difficult to pay higher real wages without eroding profits.

Notably, this phenomenon is solely applicable to the export-oriented garment industry. The centre graph in Figure 16 compares the trend in garment prices with those of other branches of the Cambodian economy. As evident, the garment industry is the *only* economic activity, where producer prices declined between 2000 and 2011. As consequence, while the volume increases needed to accomplish a CPI-constant surplus were modest and manageable in other branches – in some cases, workers could even become *less* productive in volume terms and still capture the same in *value* terms – in the garment industry, a *doubling* of production volumes was needed just to maintain status quo. In popular terms, in 2011, the average garment worker had to churn out twice as many t-shirts, just to allow her factory to pay the *same* real wage and earn the *same* profit as in 2000. These figures expose a critical difference between production for the domestic economy, where output prices are *internally* determined and hence functionally linked to workers' living

[39] According to the implicit price deflators reported in National Accounts (NIS, 2018).

expenses, and production in GVCs, where prices are, to a significant degree, *externally imposed*. These pricing dynamics, arguably, reflect what Marini (1973) identified as one of the key features of dependent capitalism, namely the systemic detachment of production and consumption, two of the key moments of the capital cycle. With consumption taking place in distant markets, the realization of export commodities in no way hinges on the demand of the workers that make them. As a result, output price formation can be almost entirely exogenous to the social formation, in which production and reproduction takes place.

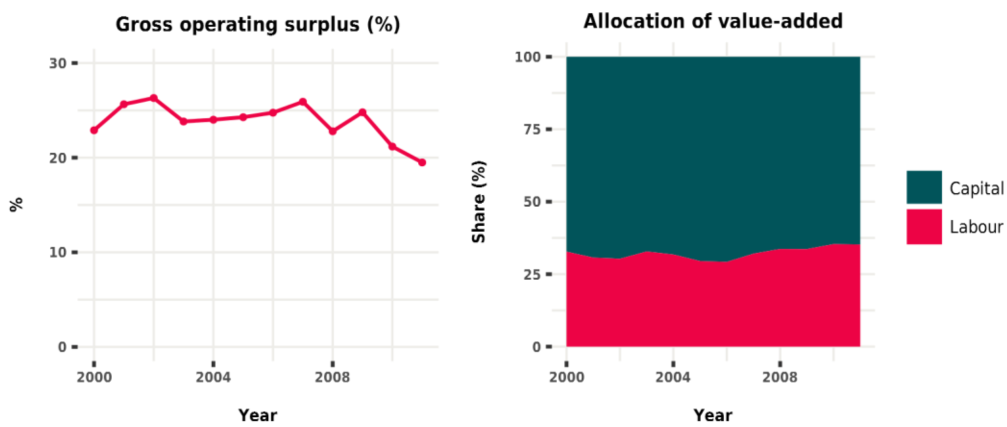
The parallel to Marini's concept of *super-exploitation* is pertinent. As laid out in chapter 2, Marini (1973) argued that in dependent capitalism, capitalists compensate for the drain of surplus value, caused by the unequal exchange of their commodities, by exploiting workers beyond the point of exhaustion (extending the working day or intensifying the labour process) and/or pushing wages below the value needed for their reproduction. While such super-exploitation is incentivized by trade with the global North, it is made possible by the structural weakness of peripheral labour, not least due to the vast relative surplus population. As detailed in this chapter, these dynamics fittingly describe the situation of the Cambodian garment working class during the phase of social downgrading (and in many ways beyond it, as will be discussed in chapter 7).

5.4.4 Cheap labour and super-profits as disincentives to invest

A main reason for the lack of economic upgrading during this phase, arguably, was that cheap labour served as a disincentive to invest. A GMAC official interviewed in Cambodia suggested that factories, out of "complacency" with their "disgusting" profits, had little motivation for investing in machinery and technology. Along similar lines, factory managers noted that garment investors, in particularly foreign ones, are habitually footloose and short-sighted and – unless "compelled" to do so – disinclined to make high-risk investments. That factories used to earn super-profits is supported by media reports and prior research. Already in 1996, in an interview with Phnom Penh Post, the chairman of a Hong Kong-owned factory reported that profits are "guaranteed at 20-25%" (PPP 9 Aug 1996). A few years later, a survey conducted by the National Institute of Statistics found an average operating surplus in "wearing apparel" of 35.5% of output; and, equally, the two IDE-JETRO surveys suggest that the average profit rate in the garment industry of 24.9% in 2002 and 32.2% in 2008 (Asuyama et al. 2013, 56; NIS 2013).

The trend is also observable from sector data. Since value-added is split between labour (in the form of wages) and capital (to cover taxes, interest, depreciation and profits), industry-wide profitability can be approximated by subtracting total wages from value-added and dividing by total output. This measure, known as gross operating surplus, indicates the share of income left for factories, once material and labour costs are paid, but before taxes, interest and depreciation are factored in. As seen in the left panel of Figure 17, the industry-wide gross operating surplus, based on these estimates, hovered around 22% throughout the 2000s. From 2007 onwards, it gradually

Figure 17. Profitability and allocation of value-added, 2000-2011



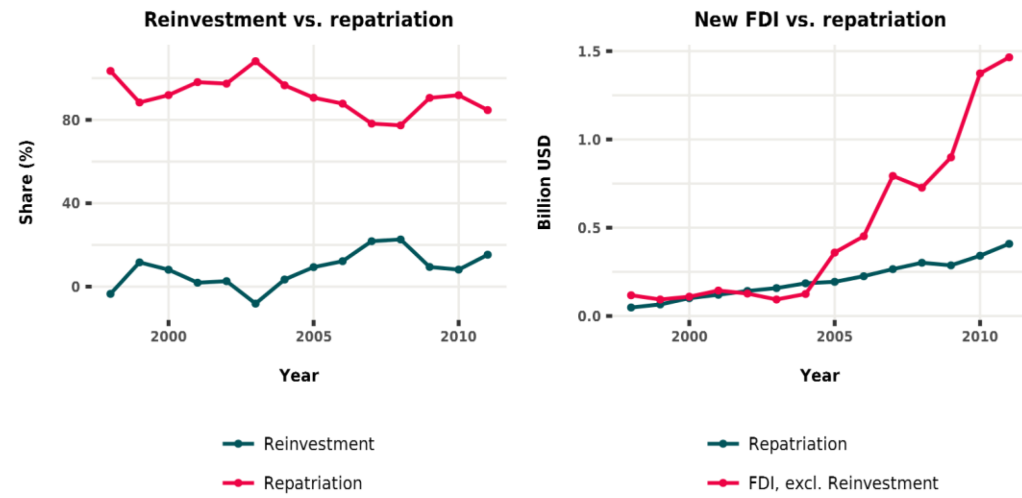
Note: Gross operating surplus is calculated as value-added for the garment and footwear industries (from National Accounts, NIS 2018), subtracted the total wage bill for those sectors (Ministry of Commerce) and divided by gross output. The latter is approximated by total export value of garment and footwear products (HS 61, 62 and 64) – a feasible proxy, as practically the entire output from those industries is exported.

declined to around 20%, probably due to a combination of the global financial crisis and a nominally rising wage bill)[40]. The right panel underlines the same point by showing the changing allocation of value-added. As seen, manufacturers throughout the phase of social downgrading kept around two-thirds for themselves, the remaining third being captured by labour.

Rather than reinvesting, garment manufacturers, according to some informants, tended to repatriate most of their profits abroad. Although data on the use of profit is not publically available for the garment industry separately, a general assessment of the foreign-invested sector can be made by consulting Cambodia's balance of payments (Smith 2016, 76–79). In a country's balance of payments, recording monetary transactions to and from other countries, the repatriation and reinvestment of profits of foreign-invested firms are recorded on the debit side of current account (IMF 2009, 135–36). Although these data cover the entire foreign-invested sector, garment and footwear represent a sizeable share – between 1994 and 2005, it accounted for almost 30% of all incoming FDI, and by 2014, despite signs of diversification, it still represented 21% of the FDI stock (Cuyvers et al. 2009; National Bank of Cambodia 2016, 23). With this caveat in mind, Figure 18 gives rise to two observations. Firstly, for most of the phase of social downgrading, foreign-invested firms repatriated the majority of the profits earned in Cambodia. From 1998 to 2005 (except for 1999), reinvested earnings amounted to less than 10% of capital income, while repatriation

[40] Interestingly, these impressive figures differ remarkably from the picture painted in public by the employers' association. In the same 1996 article, Roger Tan, later Secretary-General of GMAC, reassured that "Cambodia is not a gold mine" – and throughout the 2000s, the industry increasingly complained about razor-thin margins. When interviewed during fieldwork, moreover, GMAC and ministry officials confirmed that the graph provides a sound image of overall profitability trends.

Figure 18. Profit reinvestment vs. repatriation in foreign-invested sector, 1998-2011



Note: Data from IMF Balance of Payments Statistics. The series in the left graph are found in the debt side of the current account, under "direct investment income". Here, the "income on equity and investment fund shares" is broken into "dividends and withdrawals from income of quasi-corporations" and "reinvested earnings". Data for the right graph is calculated as FDI inflow minus reinvested earnings, which is conventionally counted as part of FDI.

made up more than 90%. In some years, the withdrawal of equity even exceeded income, suggesting that investors sent home more than they earned. Secondly, it can be seen that *in*flows of new foreign investments were countered by considerable *out*flows of profits. In the first half of the 2000s, in fact, the sum of profits flowing *out* of Cambodia surpassed that of new investment flowing in. With Cambodia's accession to the WTO in October 2004, however, the inflow of foreign investment accelerated markedly.

Whether or not these trends precisely describe the behaviour of garment manufacturers, they echo the impression from fieldwork: During the phase of cheap labour, super-profits discouraged investment by garment factories, who primarily used the country as cheap production hub and had little inherent interest in upgrading. This conclusion is corroborated by Rasiah (2009), who observes that "high unemployment and underemployment rates have […] reduced the pressure on firms to upgrade"; and that the resultant "weak wage elasticity of exports" – the ability to expand without upwards pressure on wages – "explains the low accumulation of technological capabilities in garment firms" in Cambodia (2009, 159–60). In these ways, the asymmetry of class power during the phase of social downgrading, arguably, had implications for the economic trajectory of the garment industry. By the same token, as will be shown in chapter 7, the disruption to the established balance of class forces, caused by the mass mobilization of labour at the critical juncture, exerted new pressures on producers to attempt moving up the global value chain.

5.5 Conclusions

This chapter has investigated the first phase of Cambodia garment workers' struggles for social upgrading. It has shown how almost every adjustment to minimum wages and working conditions in this phase was achieved through actual collective action by garment workers or threats thereof. Despite sporadic gains, however, wage increases were more than swallowed by inflation, leaving workers with even lower purchasing power at the end of the period than at the beginning. With such real wage erosion, many garment workers became malnourished, anaemic and underweight, and mass faintings became a problem. This failure of what allegedly became the most heavily unionized industrial workforce in Asia, it is argued, stems from the structurally weak bargaining power of labour vis-à-vis capital and the state. A number of factors – including a severe labour surplus, a post-Khmer Rouge baby boom and processes of primitive accumulation – led to a drastic expansion of the working class, eroding garment workers' marketplace bargaining power. Meanwhile, the power consolidation of the ruling party, firmly rooted in patronage politics in rural areas, left the urban garment workforce with little leverage against the state.

The chapter, moreover, argues that the social trajectory was, in important ways, interrelated to the economic trajectory of the garment industry. Most fundamentally, it is shown, garment manufacturers in Cambodia were severely affected by the price squeeze in the garment GVC identified in chapter 3. Quite remarkably, the decoupling of export prices and living costs meant that even impressive productivity gains were incapable of avoiding the *real* surplus per worker – and profit margins – from falling over the period. This phenomenon, which can be viewed as linked to the "rupturing of the circuit of capital", the disconnect of the spheres of production and consumption, was found to be solely applicable to the export-oriented garment industry and can be seen as a core contradiction of GVC-led development. Despite negative profit *trends*, however, profit *levels* remained high during the period – due to cheap labour and privileged market access – and served as disincentives to invest in economic upgrading.

CHAPTER 6

The labour-led turning point: Workers' collective action as critical juncture, 2012-2014

6.1 Chapter introduction

After a decade and a half of stagnant minimum incomes, three critical years, 2012-2014, marked the climax in Cambodian garment workers' struggle against super-exploitation. The wage adjustments passed in this phase doubled the minimum income from $73 to $145 – and, perhaps more importantly, a new wage-setting mechanism based on annual reviews was institutionalized. What explains this turning point? This chapter examines the "critical juncture" in detail. The argument put forward is the following: the break with past trajectories of social downgrading was triggered by an outburst of collective action by garment workers, playing out against the backdrop of underlying shifts in workers' structural bargaining power vis-à-vis capital and the state. At the critical juncture, the unparalleled strike wave combined with a convergence of workers' structural power resources, bringing about lasting alterations in the balance-of-class-forces and shifting garment workers onto new social trajectories.

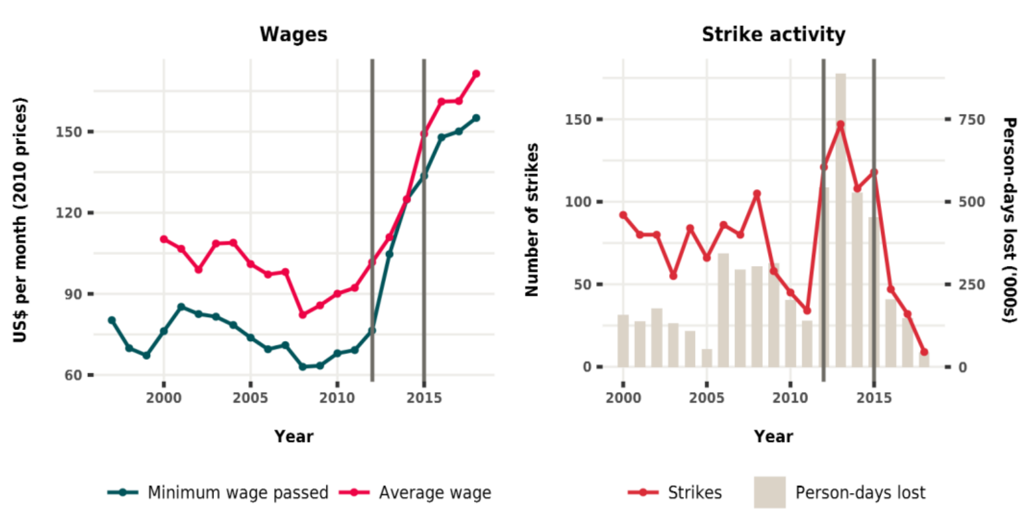
The chapter proceeds in five sections. The next, section 6.2, lays out the unfolding of events that, in a matter of a few years, caused a sequence of sweeping minimum wage hikes and the adoption of a new wage-fixing mechanism in Cambodia. It makes the case that the breakthrough was intricately linked to the struggles of garment workers and unions, although other actors – not least GVC lead firms – were activated to add pressure on employers and the government. The two following sections (6.3 and 6.4), in turn, investigate how the successful strike wave coincided with, respectively, the adoption of new strategies by the Cambodian labour movement and shifts in workers' regime-disruptive, marketplace and workplace bargaining power. Against this backdrop, the section 6.5 shows how the watershed events, paving the way for significant concessions for labour, instigated a dual crisis for capital and the state: A profitability crisis for garment manufacturers and a political crisis for the ruling party. Finally, section 6.6 concludes and sets the stage for the topic of the next chapter: How the trajectories of the Cambodian garment industry since the critical juncture were fundamentally shaped by the strategies pursued by capital and the state to resolve the dual crisis, producing a grave backlash against the independent labour movement.

6.2 The unfolding of the strike wave

The historic wage increases were passed in context of the biggest flare-up of workers' collective action in modern Cambodian history (Figure 19). With 121 and 147 strikes, according to the records of the Garment Manufacturers Association of Cambodia (GMAC), 2012 and 2013 boast the highest number of strikes, while the 108 strikes in 2014 are the fourth-highest, since the garment industry relocated to Cambodia in the mid-1990s. In addition, the number of person-days lost to strikes in each of these years is higher than in all years before and after, peaking at 888,527 in 2013. Also in relative terms, measured by the number of days lost per employee, industrial action reached new heights. In 2012, roughly 1.3 days were lost for every employee, a quadrupling from 2011 and higher than in any previous year; and the figure reached an all-time maximum of

In contrast to the cross-sectoral mass strikes of 2010, the 2012 protests mainly took the form of isolated factory strikes. Perhaps the most prominent was the 17-day strike at SL Garment Processing, one of the largest garment manufacturers in Asia and supplier to brands such as H&M, Levi's and Gap. In an event, which alone accounts for as much as two-thirds of all person-days lost 1.8 in 2013[41]. These data already hint at an explanation for the turning point: that the pressure from strike action, and the shifts in capital-labour-state relations it engendered, played a lead role in triggering the transition from social downgrading to upgrading. This interpretation is supported by a mapping of events during the critical juncture.

Figure 19. Wages and strike activity



Sources: Ministry of Commerce (Average wage, 2000-2016), ILO (Average wage, 2017-2018), MLVT (Minimum wage), GMAC (number of strikes and person-days lost), World Bank World Development Indicators (CPI).

[41] The number of person-days lost per 1000 employees fell to 930 in 2014, the sixth highest on record.

6.2.1 Higher attendance bonus and transport allowance, 2012

The first revision of workers' legal minimum income in this phase, the $10 raise in mandatory benefits passed by the tripartite Labour Advisory Committee (LAC) in July 2012 – the largest relative increase since 2000 – was directly motivated by growing industrial conflict. The convening of the LAC came after a period of unusual strike intensity. During the first six months of 2012, GMAC recorded 68 strikes and 327,266 person-days lost; and the number of person-days lost in a single month reached a maximum – 122,520 – in May, the month prior to the government invitation for wage talks. This surge in strike activity was clearly motivated by super-exploitation and the long-term erosion of real incomes. As deputy president of the Cambodian Labour Confederation (CLC), Ek Sopheakday, explained, "in the past few months, strikes have been erupting through the garment industry because workers want compensation to cover basic needs such as housing rent, transportation, overtime and meals" (CD 21 Jun 2012).

In contrast to the cross-sectoral mass strikes of 2010, the 2012 protests mainly took the form of isolated factory strikes. Perhaps the most prominent was the 17-day strike at SL Garment Processing, one of the largest garment manufacturers in Asia and supplier to brands such as H&M, Levi's and Gap. In an event, which alone accounts for as much as two-thirds of all person-days lost in May that year[42], 4,000-5,000 workers from two factories, SL1 and SL2, owned by the Singaporean investor, left their workstations. There was two weeks of intense struggle – involving hours of fruitless government-led negotiations, violent clashes between workers and security guards, and workers returning to work only to realize that management had dishonoured an agreement and dismissed their union reps. Finally, the parties reached a deal: a $7 transport and accommodation allowance and the promise not to take legal action against the union (PPP 18 May 2012, 30 May 2012). During the first half of 2012, workers at other factories, including Kaoway Sports, M&V and Gawon Apparel, won similar concessions (PPP 27 Feb 2012; CD 27 Jun 2012).

As result, at the time when the government called the parties to the negotiating table, supplementary benefits had already been secured in a number of factories. The LAC meeting, arranged at the request of unions, was not welcomed by GMAC. "We don't want [to negotiate bonuses], but it was forced upon us", chair Van Sou Ieng remarked (CD Jun 26 2012). Nevertheless, on 11 July, employers agreed to provide Cambodian garment workers with a $7 monthly transport and accommodation allowance and raise the attendance bonus by $3, to $10[43] (MoLVT 2012; PPP 12 Jul 2012). Nang Sothy, vice-president and employers' representative of LAC, explicitly linked the decision to the escalation of industrial conflict: "We are very concerned about the growing number of strikes", he told the Cambodia Daily (CD 12 Jul 2012).

[42] Estimated by multiplying the number of SL workers (5,000) with the number of strike days (17)
[43] Only C.CAWDU voted against the proposal.

6.2.2 Strike escalation and government intervention, 2013

Also the next wage adjustment, passed eight months later, was agreed against the backdrop of an intensification of strike activity (CD 13 Jul 2012; PPP 20 Jul 2012, 28 Aug 2012). This time, a threat of mass strike in late-December 2012 by CCU-president Rong Chhun activated the government to convene the LAC for a new round of wage negotiations (PPP 31 Dec 2012, 2 Jan 2013). Yet, a series of talks in the first quarter of 2013 proved fruitless. GMAC upped its first offer of $67 to $70, "what we can afford", while the union group initially put forward a joint proposal of $120, but later fractured, as the six pro-CPP unions lowered their demand to $73, while C.CAWDU – the only non-government-aligned union on the committee – declared that workers would go on strike if not given $100 (CD 23 Jan 2013, 28 Feb 2013; PPP 6 Mar 2013). After the last stalled meeting, Prime Minister Hun Sen made clear that his government had no wage-setting role, as that "is not how a market economy works" (CD 13 Mar 2013). Just a week later, however, he decided to step in, announcing a raise from $61 to $80, bringing the total minimum income of garment workers up to $97 per month. Moreover, and – and perhaps more importantly – the government for the first time expressed the willingness to undertake *annual* wage reviews (PPP 22 Mar 2013). As will be discussed in detail below (section 6.4.1), the timing of the government intervention was closely related to the national election in July 2013.

Rather than calming down the garment workforce, the raise to $80 – far below the $100 demand – sparked further labour unrest. Immediately after the announcement, five disappointed unions, including FTU, C.CAWDU and NIFTUC, declared that they would continue their fight for $100 and organize mass strikes "as soon as possible" (PPP 21 Mar 2013, 22 Mar 2013). In a rare show of unity, the unions joined forces to coordinate a May Day protest, in which more than 5,000 workers – the largest public gathering since 2010 – marched to the National Assembly (PPP 2 May 2013; CD, 2 May 2013). Neither did the wage hike stop the surge in factory-level protests. Tellingly, 7,000 striking workers at the Win Star factory decided to continue their protest despite the increase, demanding a $100 wage (RFA 21 Mar 2013). In May, likewise, a two-week FTU-led strike broke at out Nike-supplier Sabrina, where around 4,000 workers left their jobs to demand a wage hike to $93 and the conversion of temporary to permanent contracts; an event, which erupted into violence, as up to a thousand police and military officials were deployed, resulting in 23 injured, the arrest of eight unionists and the sacking of 415 workers (PPP 22 May 2013, 24 May 2013; 22 Oct 2013).

6.2.3 The path-breaking New Year's strike, 2013-2014

If the two preceding wage adjustments were signalling change, the most critical events took place in the second part of 2013 and early 2014. This period, following the 2013 election witnessed an all-time climax in workers' collective action, including the longest-ever strike and a nationwide strike that was fatally repressed by the authorities. These events triggered a group of major apparel brands to step in and join the call for the government to reform the country's wage-setting framework.

The four-month strike at SL Garment Processing

Again, the most prominent strike took place in SL Garment Processing, supplier to H&M, Gap and Levi's, among others. In mid-August 2013, 5,000 workers led by C.CAWDU began what was to become perhaps the longest strike in Cambodian history, demanding a $150 minimum wage and the removal of a new manager, also a shareholder and military general, who had allegedly ordered the presence of military police in the factory to intimidate unionists (CCC 2013; PPP 20 Aug 2013, 26 Aug 2013). The first work stoppage lasted two-and-half weeks, as workers returned after management had agreed to cut ties to the manager (PPP 30 Aug 2013). However, realizing that the manager was still present and that 720 of their colleagues had been fired – according to management because they never returned; according to C.CAWDU in a deliberate attempt to weaken the union – workers resumed the strike (PPP 5 Sep 2013, 6 Sep 2013). Although the suspended workers were allowed to return to work (apart from the C.CAWDU leadership in the factory), protests continued and on several occasions turned violent, culminating in the killing of a by-standing street vendor by armed forces (CD 6 Sep 2013; PPP 23 Sep 2013, 25 Oct 2013, 12 Nov 2013; CLEC 2013). In early December, after almost four months, the parties finally signed an agreement, including the reinstatement of the union leaders, the drop of all lawsuits and keeping the particular shareholder from contact with workers (PPP 3 Dec 2013, 4 Dec 2013).

Stalled negotiations and a disappointing wage increase

With the record-breaking SL protest and more than 60 other strikes, the post-election portion of 2013 saw a higher number of strikes and person-days lost (440,000) than any comparable period in Cambodian history, the latter figure exceeding the annual total of all years prior to the critical juncture. Amid an all-time peak in industrial conflict and the near-defeat in the July 2013 election – a political context that will be discussed more below – the government showed unprecedented initiative on the minimum wage. In late-August 2013, two weeks into the SL strike, the Ministry of Social Affairs announced that it would raise the minimum wage for garment workers, after having conducted its own research on living costs (PPP 26 Aug 2013). Following several rounds of discussion in four sub-committees established for the purpose, the government in late-November announced its plans on annual raises over five years (CD 26 Nov 2013, 28 Nov 2013). Around the same time, the inquiry of the LAC Survey Working Group concluded that garment workers needed a minimum wage of $157-$177 to meet their living needs (CD 12 Feb 2014).

When the government in mid-December presented its plan of increasing the minimum wage to $160 *by 2018* – though clearly an attempt to curb labour unrest – workers were outraged (CD 17 Dec 2013). Already the same day, workers in the two Svay Rieng Special Economic Zone, Bavet and Manhattan, staged a strike that quickly spread to 36 factories and 30,000 workers (PPP 18 Dec 2013; CD 20 Dec 2013). While CPP-aligned federations, including CUF and CLUF, at first agreed that wages had to increase at smaller increments to not scare away investors, a meeting facilitated by global union federation IndustriAll gathered 22 union leaders – across political cleavages – behind a common demand: An *immediate* hike to $160, consistent with the government's own research. GMAC, for its part, proposed a wage raise by only $10 per year to reach $130 in 2018 (CD 17 Dec 2013, 19 Dec 2013).

The nationwide December strike and its violent repression

The LAC meeting held on Christmas Eve – passing a new minimum wage of just $95 and postponing its implementation to April 2014 – became the spark that made the situation explode. Again, the majority of unions proved their loyalty to the government, with only the two independent unions on the board voting against the decision. After the meeting, five unions[44] issued a joint statement, mobilizing for nationwide protests until a $160 minimum wage was won (PPP 26 Dec 2013). On the night of the announcement, however – even before the unions could organize a countermove – a wave of strikes swept across the country (CD 25 Dec 2013; RFA 24 Dec 2013). FTU-president Mony underlined the spontaneous character of workers' action, noting that "their anger is exploding over the decision on the minimum wage". Rong Chhun of CCU later explained how the "struggle happened by itself, it came from the bottom up, not from the top down" (AMRC 2014, 9). On the following day, the strike swelled significantly, closing 94 factories. Amid escalating conflict, GMAC urged its members to close for the rest of the week (PPP 26 Dec 2013). By 26 December, C.CAWDU estimated that 300 factories had closed, FTU reported their members striking in 188 factories, and GMAC figures suggested that 240 factories within a 40-km radius from the Phnom Penh had ceased operations. To add further pressure, the union group, now comprising seven federations, issued a letter to GMAC-chairman Van Sou Ieng, warning that all of their 250,000 members in almost 400 factories would join the strike, unless their demands were met within a week (PPP 27 Dec 2013; CD 27 Dec 2013).

After failed negotiations over the next days, Minister of Labour Ith Sam Heng on New Year's Eve issued a letter declaring another wage raise of $5, bringing the legal minimum income of garment workers (including mandatory benefits) up to $117 per month (PPP 28 Dec 2013, 30 Dec 2013, 31 Dec 2013, 1 Jan 2014; CD 31 Dec 2013). The government did nothing to hide the fact that the move was directly aimed at pacifying the striking workers. As director-general of the General Department of Labour Conflict at the Ministry of Labour, explained, "His Excellency Minister made the decision to change the minimum wage because he wants to stop the protests" (CD 1 Jan 2014). Yet, the meagre concession again failed to impress union leaders, who warned that strikes would continue.

[44] C.CAWDU, FTU, NIFTUC, CUMW and CATU

Although the protests lost steam, as many workers returned to work due to the financial stress caused by two weeks of unearned salaries, a significant number of strikes and gatherings took place in the first days of 2014 (PPP 2 Jan 2014). As a fact-finding report by the Asia Monitor Resource Centre (AMRC) notes, now "the government shifted gear and took a heavy-handed approach" (AMRC 2014, 12). Calling in military, police and special army units, authorities launched a violent crackdown against the protests. On the morning of 2 January, ten workers and activists were beaten up with electric batons and arrested, as a military unit – allegedly with connections to factory management – intervened in a strike (AMRC 2014, 13–14). Later that day, a group of workers was attacked by military police on Veng Sreng Street; and the following morning, the situation escalated, as soldiers opened fire into a crowd of workers blocking the street. During the confrontations, five striking garment workers were killed, many more injured and 23 arrested (CD 6 Jan 2014; LICADHO 2014)

6.2.4 Brand intervention and new wage-fixing mechanism, 2014

The violent crackdown dealt a severe blow to the labour movement. Despite attempts to maintain the pressure for $160, unions had difficulties mobilizing workers for new protests (PPP 16 Jan 2014). A gathering in Freedom Park later in January, with participation far below the expected 10,000, was violently broken up by authorities (PPP 22 Jan 2014, 26 Jan 2014, 27 Jan 2014). A boycott of overtime work in February, backed by eight unions, disappointed with only "a very, very few" factories affected, according to GMAC[45] (PPP 25 Feb 2014, 26 Feb 2014; CD 25 Feb 2014). A public discussion forum planned for International Women's Day was cancelled, as police barricades blocked the entrance to Freedom Park (PPP 5 Mar 2014, 6 Mar 2014, 8 Mar 2014). And a nationwide "stay-at-home" strike, also planned for March, disappointed, as six unions, including C.CAWDU, and FTU, withdrew from the manifestation (CD 13 Mar 2014, 19 Apr 2014; PPP 11 Mar 2014, 18 Apr 2014). Nevertheless, images of violent protests and the killing of garment workers had caught global attention, triggering major apparel brands to intervene in the dispute.

The brands intervene

Already prior to the deadly New Year's strike, several brands had been drawn into high-profile strikes in their Cambodian supplier factories (CD 1 Oct 2013; PPP 24 Jun 2013). In mid-October, two month's into the SL strike, H&M CEO Persson – who had found himself in a media storm over working conditions in 2012 and was a key buyer from SL – met face-to-face with Hun Sen, voicing the "urgency of annual wage reviews and functioning industrial relations" (PPP 4 Nov 2014; CD 5 Nov). After the crackdown in early 2014, other buyers joined in. On 7 January, seven brands, including H&M, Inditex, Adidas and GAP, issued an open letter to the Prime Minister, GMAC and unions, expressing concern over the use of lethal force and urging all parties to

[45] Unions contested the figure, claiming that 100-200 factories were affected. In any case, the impact of the overtime boycott is unclear.

"immediately join negotiations, in good faith" and "support the development of a regularly-scheduled wage review mechanism" (H&M et al. 2014). In mid-January, six major retail associations, representing 90% of all garment and footwear imports into the US and Canada, issued a similar statement (PPP 17 Jan 2014). And two days later, a group of 30 major brands and three global union federations came together in a letter, addressed to Hun Sen himself, urging the government to "accept technical assistance from the ILO to establish an effective wage-setting mechanism" (Adidas et al. 2014). The message from the brands was clear: "political stability and respect for human and worker rights are essential to maintaining sourcing in Cambodia", as IndustriAll's general secretary, Jyrki Raina, summed up. The involvement of some of the most important buyers clearly worried the government, and in mid-February, a meeting was held between brands and unions and high-ranking officials – a meeting, whose "participants list alone suggests a level of seriousness […] and urgency", as Dave Welsh, country director of Solidarity Center, noted (PPP 20 Feb 2014). Over the following months, the brands maintained a close dialogue with local and global unions and maintained the pressure on the Cambodian government (CD 27 May 2014).

Reform of the wage-setting system

Even before the first meeting with the brands, however, the Cambodian government had contracted with the ILO on a reform of the country's minimum wage-setting framework. In April, the Ministry of Labour invited employers and unions to the first in a series of ILO-led discussions in LAC – the first convening of the committee since the violent crackdown in January (PPP 7 Apr 2014; CD 7 Apr 2014). At the first meeting, notably boycotted by GMAC, unions and government officials agreed on annual adjustments based on both social and economic factors (CD 25 Apr 2014; 26 Apr 2014). After criticism from brands and unions over slow progress, the next negotiation in mid-June, now attended by employers, produced agreement on a set of principles, including the commitment to "regular, annual wage reviews", "gradual, steady, and predictable adjustments" and so-called "win-win strategies of negotiation". Moreover, the parties agreed on a fixed schedule: internal discussions of each party would begin in July; bi-partite negotiations in August; tripartite discussions in September; the convening of LAC to make a decision in October; and the new wage would enter into effect on 1 January the following year. Finally, a list of criteria used for wage setting was defined, comprising three social criteria (family situation, cost of living and inflation) and four economic criteria (productivity, competitiveness, profitability and impact on employment) (ILO 2017; CD 17 Jun 2014, 24 May 2014, 1 Jul 2014).

The greatest-ever wage hike

With the new schedule in place, negotiations proceeded over the following months. At the opening of bipartite negotiations in August, the parties presented widely diverging proposals. Based on the living wage estimate of the LAC study published almost a year earlier, unions opened with a demand of $177, while GMAC proposed $115 (CD 11 Aug 2014). A few weeks later, at the second meeting, unions lowered their demand to $150, while GMAC and the government settled on offering just $110 (CD 5 Sep 2014). Despite an attempt by some unions to add pressure on employers through a campaign for a $177 living wage (more in section 6.3.1), negotiations proved fruitless and were postponed (CD 9 Sep 2014, 7 Oct 2014). To facilitate an agreement, the Ministry of Labour set up a tripartite working group to advice LAC, with nine representatives from each side (CD 15 Oct 2014). Yet, when the working group after three meetings voted on the proposals, the unions' figure of $140 was rejected, while GMAC's offer of $110 and the government's $123 passed (CD 31 Oct 2014). That the government now took a new position, notably higher than that of GMAC, was based on new official figures that put the poverty line in Phnom Penh at $120 (PPP 3 Oct 2014). Employers, nevertheless, stuck to their below-the-poverty-line offer, "the level that we can afford", as Ken Loo told Cambodia Daily (CD 30 Oct 2014).

At a LAC meeting in mid-November, the government's proposal was voted through; and shortly after the meeting, the government announced that it would add another $5, bringing the new minimum wage up to $128 per month ($145 including benefits), with effect from 1 January 2015 (CD 12 Nov 2014). The 28% wage hike was the largest ever in the history of the Cambodian garment industry. After the decision, leaders of four of the most vocal unions[46] objected, but announced that they, based on their members' desires, would abstain from staging further strikes in the near future (CD 17 Nov 2014).

6.2.5 A game changer with long-lasting effects

The adjustment passed in November 2014 marked the end of a period of unparalleled growth in the legally-mandated minimum income of Cambodian garment workers. The new wage applicable from 1 January 2015 – $145 including mandatory benefits – was twice as high as the one prevailing three years before and also substantially higher in real terms – a remarkable break with past social trajectories. This accelerated sequence of minimum wage hikes was readily felt by garment workers, whose take-home pay, according to data from the Ministry of Commerce, grew from $110, on average, in 2012, to $175 in 2015. Overall, the adjustments passed during the critical juncture brought workers substantially closer to a living wage: While the 2012 minimum income amounted to just 37% of a living wage, the 2015 figure represented an estimated 63% – and with the reviews since then, the gap has narrowed to 75% (in 2018)[47]. The institutionalization of a new wage-setting mechanism, moreover, was a major victory. Although the new procedures were not codified into law until June 2018 (see next chapter), the principles agreed in the summer of 2014 have informed all subsequent wage negotiations. A representative of an independent union inter-

[46] C.CAWDU, FTU, NIFTUC and CUMW
[47] Based on a back-casting of WageIndicator's living wage estimate for January 2018, based on WB CPI inflation.

viewed during fieldwork described the previous system as “a nightmare”, placing the new mechanism among the unions’ greatest achievements. Another characterized the shift to annual reviews as a “critical moment” for the labour movement.

As demonstrated above, the surge in workers’ collective action during the critical juncture played a crucial role in the transition to social upgrading in the Cambodian garment industry. A union leader interviewed during fieldwork explained how workers perceived the concessions as “paid with their blood” and noted that the government has opened all subsequent negotiations by stating that a repetition of 2013-2014 should be avoided at all costs. This view that the crucial events culminating in the fatal New Year’s strike became a *game changer* that altered the modality of capital-labour-state relations in the garment industry was shared by practically all fieldwork informants whether representing employers, workers or the government. It, therefore, seems fair to conclude that the costly struggles of workers themselves acted as main vehicle of social change. The question remains, however, why this particular strike wave, after more than 15 years of often intense struggle, became the trigger that broke past trajectories. The next two sections examine how the turning point coincided with new union strategies and shifts in the structural bargaining power of labour vis-à-vis capital and the state.

6.3 Strategic innovation: New union approaches

In important ways, the success of the 2012-2014 strike wave reflects a change in the strategies employed by the independent union movement in the Cambodian garment industry. Two shifts are notable, coinciding with the critical juncture: (1) Targeting lead firms rather than supplier factories; (2) breaking the united front of employers through “divide-and-conquer”-tactics, while bringing the yellow unions into the struggle.

6.3.1 Targeting lead firms through international pressure

Firstly, fieldwork interviews suggest that since 2010, and especially from 2012 onwards, Cambodian unions designed a new strategy that sought to exert pressure directly on apparel brands sourcing from the country. This strategy built on growing ties with international civil society and coordination of activism across the value chain, with the largest independent union, C.CAWDU, serving as the main contact point with the international community. A statement by C.CAWDU on International Labour Day 2013, issued on the day of the $80 minimum wage entering into force, illustrates the new approach: “No longer will we allow the brands to escape their responsibilities”, the statement says, “calling on all major brands sourcing from Cambodia to do everything in their power to ensure a minimum wage for garment workers of $100 per month”. With direct reference to the sourcing squeeze, the statement calls for “a reprieve in the extreme downward price pressures the multi-national brands put on supplier factories that undermine any real hope of improved conditions” (C.CAWDU 2013). Later that year, the union presented a list of demands to 25 brands participating at the annual buyers' forum. C.CAWDU Vice-president Athit Kong noted that "[t]his year will be more interesting than the other years. In the past, we were only pushing the producers. We have to be more forceful with the buyers rather than the owners" (PPP 3 Sep 2013).

Figure 20. "We need $177"

The strategy became more explicit after the crackdown. In late-August 2014, a group of 11 unions invited workers, citizens and civil society organizations across the world to join their demand for a $177 living wage in "an escalated national and international campaign to push the buyers to do a real intervention to end worker exploitation", including a global day of action in mid-September (NTUC et al. 2014). The request was taken up by three global union federations, IndustriAll, ITUC and UNI, who backed the national campaign by urging their affiliates to organize protests at Cambodian embassies across the world. On 17 September, thus, 30,000 workers[48], dressed in orange "We Want $177"-t-shirts, staged a lunchtime campaign, which – unlike previous wage protests – explicitly attached the top brands. Gathering outside factories, workers were waving banners accusing H&M, Zara, GAP and others of "starving Cambodian workers" and handing out brand-logoed stickers demanding that "THE BUYER MUST PROVIDE BASIC WAGE $177" (Figure 20) (PPP 18 Sep 2014). On the same day, the global unions led delegations in Brussels and Geneva, and demonstrations took place outside of fashion stores in Europe and Australia (CD 18 Sep 2014). Already the next day, the retailers reacted. A group of eight, including the world's two largest, H&M and Inditex in an hitherto unseen move sent a letter to the government and GMAC, recognizing "the right to a fair living wage" and pledging that "increased wages will be reflected in our FOB prices" (C&A et al. 2014; Guardian 21 Sep 2014).

The pressure from lead firms, in the GVC perspective seen as *the* most powerful agent in the global economy, is likely a key factor in the reform of the wage-setting framework and the impressive 28%-increase in the minimum wage passed in November 2014. However, as suggested by the above exposition of events – and a common view among fieldwork informants representing labour – the brands, while important and constructive players, represent an essentially reactive force: They were not triggered until strikes and mass faintings in their supplier factories made headlines (at a time, where also the fatal Rana Plaza collapse in Bangladesh added to the outrage over working conditions in the garment GVC) – and they only really stepped in to pressure the

[48] According to union estimates

government, once the repression of the New Year's strike had taken the lives of five workers sewing their clothes, making headlines across the globe.

6.3.2 Dividing employers – uniting unions

Secondly, during the critical juncture, independent unions adopted a strategy of, on the one hand, breaking the united GMAC front through "divide-and-conquer tactics" and, on the other hand, attempting to bridge cleavages in the divided union movement. Some unionists interviewed explained that factories were, in part at least, strategically chosen for interventions based on the willingness of their buyers to negotiate and commit to wage increases. The main idea was that if concessions could be won in these factories, either directly through strike action or, indirectly, by pushing top brands to demand wage increases through collective bargaining agreements in their suppliers, unions could drive a wedge into the capitalist bloc: Once the first factories had given in to workers' demands, they would gain an interest in extending them across the industry, as it would otherwise put them at a competitive disadvantage vis-à-vis rivals. In this way, securing concessions in strategically important factories would create rifts in employers' front, forcing once-opposing factories to add pressure on the government and other factories to accept higher minimum wages (see also Dalton and Kong 2017, 121).

At the same time, the independent unions attempted to bring their pro-government counterparts into the campaign. According to an independent union leader interviewed in Cambodia, his union has since 2012 sought to exploit the fact that the contrast between "yellow" and "independent" unions is a sliding scale, and that many "yellowish" unions find themselves caught between members' interests and their pro-government/pro-management position. This situation has been actively utilized by some independent unions. While yellow unions have been bypassed from preparing campaigns, their members have been mobilized to join them afterwards – and once campaigns are launched, all workers, irrespective of union membership, join, as they care about their livelihoods. Consequently, in order to not alienate themselves from their members, the leaderships of these "yellowish" unions were pressured into backing the demands.

Testifying to the success of this strategy, the wage negotiations in autumn 2014 were characterized by an unprecedented degree of cooperation of unions across political divides, with even the five pro-government unions supporting a higher minimum wage (PPP 1 Oct 2014). The alliance, however, proved as fragile as some observers had feared: At the end of the day, the yellow unions backed the government's proposal, with the result that the union group's joint demand was never put up for vote in the LAC[49] (CD 31 Oct 2014).

[49] In the 9-9-9 working group established by the government, which in contrast to LAC comprised a greater number of non-government-aligned unions, the pro-government unions abstained from voting, with the result that the union group's joint demand was rejected.

6.4 Sources or workers' power: A convergence of forces

Apart from new union strategies, the path-breaking strike wave in the Cambodian garment industry was leveraged by what was arguably an unparalleled surge in workers' structural bargaining power. As will be shown in the following sections, some of the sources of workers' power that were in the previous chapter identified as key obstacles for labour evolved to produce a convergence of forces, culminating during the critical juncture.

6.4.1 Regime-disruptive bargaining power

Most obviously, and a factor which was widely cited by fieldwork informants as *the* most important in explaining the turning point, the political situation at the time forced the government to take workers' grievances more seriously than before. Three aspects are particularly critical: The July 2013 election and the year-long political crisis that ensued; the convergence of protests by the opposition and workers in December 2013; and – as both of these reflect – the rise of the garment workforce a decisive political force with the potential to threaten the survival of the ruling party.

The 2013 landslide election and political deadlock

As hinted at above, the success of the 2012-2014 strike wave cannot be understood apart from the landslide election in July 2013. In the run-up to the vote, the ailing opposition revived itself. In July 2012, the two parties SRP and HRP announced the plan to form a unified opposition, Cambodia National Rescue Party (CNRP) with Rainsy as president and Sokha as vice-president (PPP 17 Jul 2012, 4 Dec 2012). The political platform of the new party included a hike of the garment minimum wage to $150 (PPP 29 Oct 2012); a measure that, when proposed to the National Assembly in February 2013, provoked the Prime Minister, with an eye on the coming election, to intervene in the stalled negotiations between unions and GMAC and unilaterally raise the minimum wage to $80 (CD 1 Mar 2013; 13 Mar 2013). The next month, at its inaugural conference, the CNRP presented a seven-point programme, which – in addition to higher garment wages – included and a $250 base salary for civil servants, old-age pensions ($10), free healthcare and price reductions on basic goods such as oil, gas and fertilizer (Mccargo 2014, 73–74). Less than three weeks before the election, Rainsy received a royal pardon, clearing his prison sentence; and upon his return, just in time for the final week of the election campaign, he was greeted as a hero, with more than 100,000 people lining up along his route from the airport (CD 20 Jul 2013, 22 Jul 2013, 16 Sep 2013; PPP 31 Dec 2013). Despite having his candidacy denied by the authorities, Rainsy and other CNRP candidates ran an enthusiastic campaign, drawing thousands of people to the streets under a simple slogan: "Change!" (PPP 22 Jul 2013, 25 Jul 2013).

Notwithstanding the reinvigorated opposition, however, everyone expected the CPP – with a booming economy to fuel its vote-buying machine, its dominance over vital government institutions, and its near-monopoly over the media – to repeat its sweeping victory from 2008 (Un 2015, 102–3). The outcome proved a shock to the ruling party. According to official results, the CPP won 48.3% of the popular vote and 68 seats in the National Assembly, a decline of almost ten percentage-points and 22 seats from 2008. In contrast, the CNRP garnered 44.5% of the vote and 55 seats, an impressive gain from the 28.4% and 26[50] seats in the last election[51]. As such, the 2013 election marked a reversal of two decades of unbroken gains for the CPP in national elections, and parallel marginalization of opposition blocs. To add to the worries of the ruling party, the newly-unified opposition performed surprisingly well in rural areas, the backbone of its powerbase. From across-the-board minorities in 2008, the opposition in 2013 won five populous provinces, including Phnom Penh, and was nipping at the ruling party's heels in several others (COMFREL 2013).

The election instigated a year-long political deadlock. Independent election monitors reported a quadrupling of election irregularities compared to 2008 and warned that voter registration in many communes exceeded 100%, that the removability of supposedly indelible ink used in the election allowed the same person to cast multiple votes, while – at the same time – flawed registration procedures had left up to 1.25 million voters disenfranchised (COMFREL 2013; Electoral Reform Alliance 2013; Um 2014, 99–100). For these reasons, the CNRP refused to accept the official result and decided to boycott the National Assembly. In an attempt to pressure Hun Sen, the party organized a series of mass protests, each drawing tens of thousands people to the streets, demanding an independent investigation, new elections or – alternatively – the resignation of the prime minister (Um 2014, 89–91; Un 2015, 105–6). Not until July 2014 did the parties, after mounting international pressure, settle for an agreement (Um 2014, 100).

The convergence of protest paths

The post-election protests, perhaps even more than the election outcome itself, shook the ruling party. The threat became particularly acute, when the election-contesting protests by opposition supporters and minimum wage protests by garment workers merged into a society-wide mass movement. As described in the previous chapter, some of the most vocal sections of the Cambodian labour movement has historical ties to the SRP, but gradually distanced itself from the opposition throughout the 2000s. The critical events of 2013, however, marked a significant rapprochement, with some union leaders openly endorsing the CNRP during the election campaign and encouraging workers to join the opposition protests after the election (CD 15 Jul 2013, 12 Sep 2013, 26 Sep 2013; PPP 10 Jul 2013, 15 Jul 2013). In this context, fieldwork informants from unions and labour CSOs explained, the promise of further wage increases after the election should be seen

[50] Sam Rainsy Party (SRP) and Human Rights Party (HRP) results combined.
[51] FUNCINPEC, the main contester during the 1990s, continued its self-implosion and failed to win even a single seat.

as an attempt by the government to dissuade workers from joining the opposition protests (see also PPP 26 Aug 2013).

The relinking of the labour movement and the opposition culminated after the disappointing wage increase in December 2013. On the evening of the LAC announcement – the 10th day in a series of "non-stop" opposition protests – Rainsy and Sokha encouraged workers to strike and declared full support for their demand of a $160 minimum wage (PPP 25 Dec 2013). The following morning, thousands of garment workers joined the opposition rallies in Freedom Park in what Phnom Penh Post described as a "convergence of protest paths" (PPP 26 Dec 2013; RFA 26 Dec 2013). Still more workers joined the next day, and a journalist observed how the rhetoric became "decidedly more labour-oriented" (PPP 27 Dec 2013). A couple of days later, the protest wave peaked, as other labour and civil society groups – tuk-tuk drivers, domestic workers and street vendors, monks and land activists – joined the ranks, bringing the number of protestors in Phnom Penh up to 100,000 (AMRC 2014, 11). Some fieldwork informants noted how this fusing of otherwise separate protests, while unplanned and spontaneous, became "incredibly scary to the government", provoking the violent crackdown as it unfolded over the following week.

The rise of the garment workforce as a decisive political force

Why did the 2013 election and its aftermath prove such threat to the regime? A young electorate with no immediate memory of the Vietnamese liberation from Khmer Rouge, a cornerstone of the CPP narrative, is probably a key factor; the return of Rainsy after four years in exile is another; and the rise of social media as an alternative to government-dominated media is a third (Kimseng 2014; Mccargo 2014, 74; Chheang 2015; Hughes and Eng 2018). While each of these factors likely played their part, an underlying reason – and one of particular interest here – is the rise of the industrial working class, including garment workers, as a decisive political force (Ngoun 2013; Chheang 2015). Not only did the garment workforce in itself grow from representing estimated 1.4% of eligible voters in 1998 to 5.8% in 2013[52]. Equally important, garment workers – often "economic drivers" of their families, indirectly supporting three or more family members – are subject to a strong political multiplier effect (Mejía-Mantilla and Woldemichael 2017). According to the Cambodia Socio-Economic Survey (CSES), 19% of all households in 2011 had at least one member working in a garment factory. As employment has grown since then, a plausible estimate is that by 2013, as much as a quarter of the entire electorate benefitted directly from the wages paid in the industry[53].

The emergence of the garment workforce as a key voting bloc was reflected in the 2013 election campaign, where both major parties competed intensely to "win over the largest segment of the country's industrial workforce" (CD 27 Jul 2013). Yet, it was the CNRP's promise of a $150

[52] Estimated based on garment sector employment from the Labour Force Survey 2012 and figures on the number of eligible voters from COMFREL (2017).
[53] Using multiplier of 5, quoted in (CDRI 2011).

minimum wage that gained traction (PPP 10 Jul 2013). This policy, combined with other income-enhancing promises, represented an "aggressive increase in family household income" that attracted not just workers, but also their families and relatives (Ngoun 2013, 3). Media reports suggest that garment workers in numbers voted for the CNRP, and that many encouraged their families and friends in the provinces follow suit (CD 27 Jul 2013, PPP 16 Aug 2013). Hence, as Ngoun (2013) suggests, it was "the magic of the numbers 10, 150, and 250 that [...] enabled the CNRP to penetrate CPP's rural power base and increase its popularity in urban areas" (Ngoun 2013, 3).

What this illustrates is that at the time of the critical juncture, the garment working class had attained a magnitude and political awareness, which empowered it to play a pivotal role in the most severe challenge to Hun Sen for decades. From being practically unimportant to the survival of the regime, which during the 1990s and 2000s had built a stronghold in rural Cambodia, the garment workforce had by 2013 morphed into a decisive voter segment with the capacity – not least due to its critical linkages to rural-based household economies – to tilt electoral outcomes. As such, the garment working class had become a constituency that could no longer be disregarded, but, for the purpose of regime-survival, had to be appeased (PPP 10 Jul 2013, CD 27 Jul 2013). In this perspective, the critical events of 2013-2014 exposed the growing political-disruptive power of the garment workforce, tipping the balance of forces between labour and the state; and the wage concessions won after the election, even in the context of a drastic decline in strike activity, can be seen as part of the efforts by the CPP to bring the garment workforce under its patronage umbrella.

6.4.2 Marketplace bargaining power

As argued in the preceding chapter, a number of intertwined processes contributed to undermining the marketplace bargaining power of Cambodian garment workers in the phase of social downgrading. In the run-up to the critical juncture, however, some of these factors evolved to produce the first labour shortages ever in the garment industry.

Withdrawal of surplus labour and tightening labour markets

First of all, the labour surplus was significantly reduced during the 2000s. In a period of rapid structural transformation, great numbers shifted from subsistence-based agriculture to wage employment in industry or services. According to CSES, the share of the labour force engaged in agriculture declined, from roughly 80% in the mid-1990s, to 51% in 2012 and 45% in 2014 (graph A), while – in parallel – the share in wage employment jumped from around 10% in 1996 to 36% in 2012 and 44% in 2014 (graph B). These structural changes made a deep cut into the pool of "excess" workers: Whereas, at the arrival of the garment industry, half the workforce consisted of unpaid family labour – according to Lewis a major source of labour surplus – this figure plummeted to 9% in 2012 and 5% in 2014 (graph B). Equally, the *under*employment rate[54] dropped considerably, from 38% in 2001 to 2% in 2012 (ILO/FTF Council 2015, 7). In this way, the capitalist transition – involving the dual processes of rural proletarianisation and the expansion of an urban-based capitalist economy – resulted in the "extraction" of large chunks of the surplus labour existing in the subsistence-based economy.

In addition, towards the end of the 2000s, the reverberations of the post-Pol Pot baby boom – a major brake on workers' marketplace bargaining power – ebbed away. From their mid-1980s peak, according to World Bank population estimates, birth rates decreased markedly through the 1990s. As result, while the pool of female Cambodians aged 15-29 exploded in the second half of the 1990s and 2000s, growing by an annual average of 3.9% over the period[55], it reached a sudden peak in 2011 and has since then shrunk by an average 0.9%[56] per year – an absolute decline of 250,000 persons (graph C). Due to these demographic trends, the successful 2012-2014 strike wave coincided with a *contraction* in the aggregate supply of workers in the age bands typically demanded by garment factories.

Consequently, the labour market started tightening prior to the critical juncture. With the caveat that the unemployment rate is a poor stand-alone indicator of labour supply in this context, unemployment trends nevertheless bear witness (graph D). From a peak of 1% in 2004, according to the National Institute of Statistics, the general unemployment rate declined to 0.1-0.3% from 2009 onwards; and the unemployment rate among females in Phnom Penh, where the bulk of garment factories continue to be located, fell from 4.9% in 2004 to 0.0% in 2013 and 0.1% in the following years. Likewise, the ILO estimates that the youth unemployment rate (15-24 year-olds) dropped from its maximum of 11.7% in 1998 to 3.5% in 2004 and 0.3% in 2011.

Pro-poor agricultural development and the catch-up of job alternatives

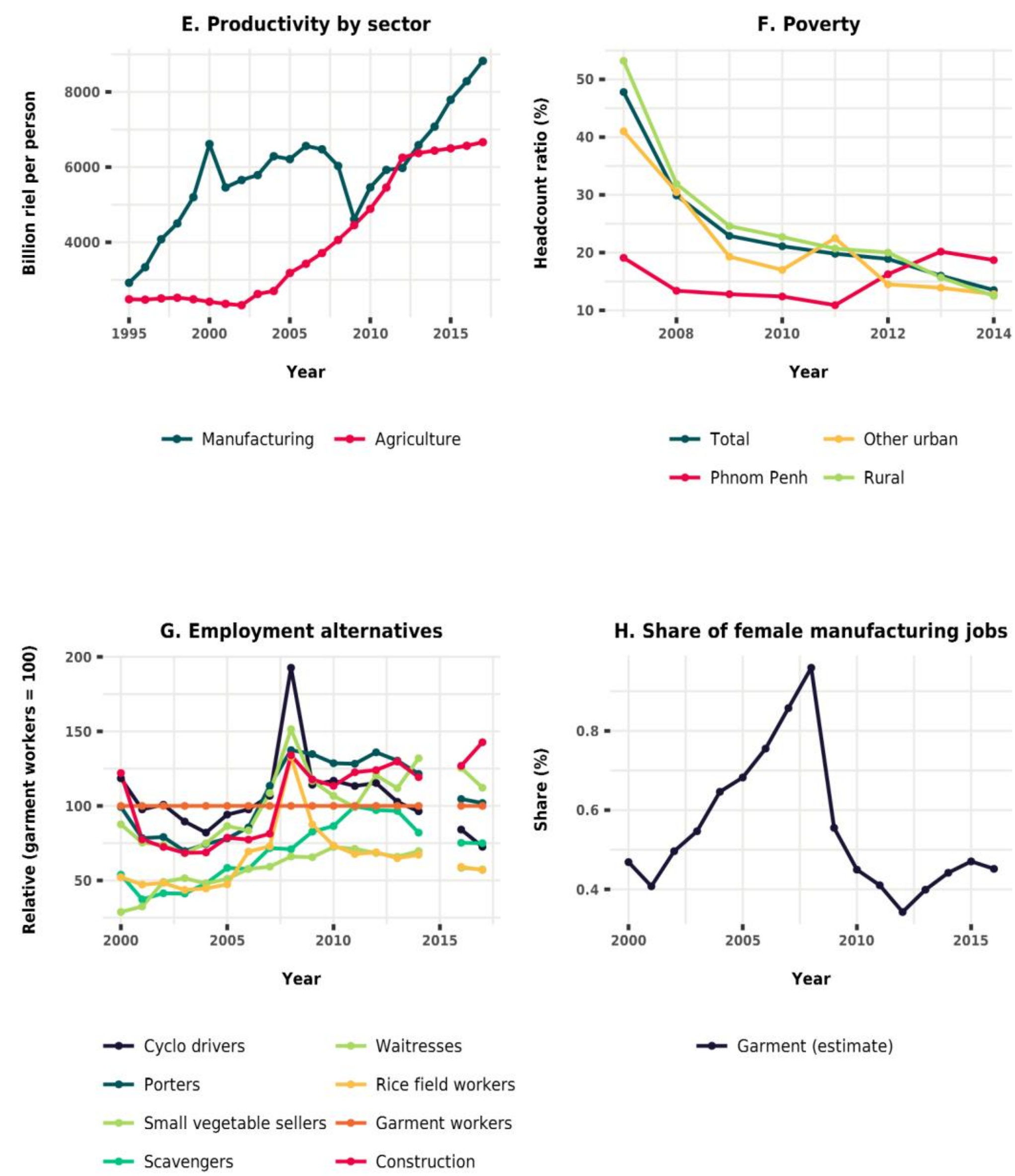
Furthermore, the quality and quantity of other jobs available to garment workers improved considerably during the 2000s. For one thing, labour productivity and incomes in agriculture increased towards the end of the 2000s, rendering the push out of rural areas less acute. From a decade of extremely low productivity growth, a record rice harvest in 2005 marked a drastic reversal, and the period 2005-2012 saw an average productivity growth of 13%, one of the highest in the world[57]. Consequently, the agricultural sector swiftly closed the productivity gap with manufacturing. While in 2008, the value added per agricultural worker was a mere fifth of a manufacturing worker, by 2012, it surpassed it by 5%[58] (graph E). These improvements were driven partly by higher yields, up by two-thirds from 2004 to 2012, and a hike in prices paid for farmers' rice, which according to FAOSTAT doubled over the period (FAOSTAT 2019). Moreover, conforming

[54] Defined as the share of the employed working less than 40 hours per week and ready to take additional work.
[55] 1994 to 2010
[56] 2011 to 2017
[57] Calculations based on UNdata (value-added in agriculture, 2010 prices) and ILOStat (labour force in agriculture)
[58] Own calculations based on UNdata (value-added in agriculture, 2010 prices) and ILOStat (labour force in agriculture)

Figure 21. Labour market indicators (1)

Sources: Employment by sector in graph A from the Cambodia Socio-Economic Survey (CSES), various years. Employment by status (women) in graph B from CSES. Population estimates in graph C from World Bank Population Estimates and Projections (available in WB's DataBank). Unemployment rates in graph D from CSES (general, female, female Phnom Penh), and ILOStat (Unemployment rate by sex and age, ILO-modelled estimates, May 2018).

Figure 22. Labour market indicators (2)



Sources: Productivity in graph E calculated from value-added from UNdata (ISIC A+B, D) and employment from ILOStat (Employment by Sector, ILO-modelled estimates, ISIC A+B, D). Poverty in graph F from Ministry of Planning (2013) and CamStat. Incomes of different groups of workers in graph G from surveys of vulnerable workers by the Cambodia Development Resource Institute (CDRI). Share of garment in female manufacturing employment in graph H calculated from garment and footwear employment from Ministry of Commerce (using an estimated share of women of 90%) and female manufacturing employment from ILOStat (Employment by sex and economic activity, ILO-modelled estimates, ISIC D).

to the Lewis model, an econometric analysis based on CSES found that the outmigration of rural areas acted as a major incentive for farm mechanisation, thus boosting agricultural productivity (Chhun et al. 2015). As consequence, the income from agricultural crops more than doubled in real terms, as did the daily wage rate of agricultural workers (World Bank 2014, 27, 36; PPP 25 Aug 2016). The result was a remarkable improvement in the countryside – in two years, the rural poverty rate, according to government figures, was cut in half, from 53.2% in 2007 to 24.6% in 2009, declining further to 20.0% in 2012 (graph F). Though these figures should be interpreted with caution, as most people were only lifted slightly above the poverty line, the World Bank nevertheless characterized the decade from 2005 as a period of "vibrant and pro-poor agricultural growth" (World Bank 2015, xii).

Additionally, the decade-long wage stagnation rendered garment jobs increasingly unattractive compared to alternatives. As evident from graph G, which plots the data on incomes of vulnerable workers collected by the Cambodia Development Resource Institute (CDRI) since 2000, the income from other female-dominated jobs caught up with garment wages towards the end of the decade. While the income of garment workers in 2001 was a third higher than small vegetable sellers, there was practically no difference in 2011. Whereas garment workers at the opening of the decade earned twice as much as waitresses and three times more than rice-field workers, the difference a decade later had in both cases been narrowed to 40%. Most tellingly, perhaps, by the end of the 2000s, even scavengers had caught up – a remarkable development from a decade earlier, where garment workers earned 2.5 times more. Hence, in the matter of a decade, incomes from alternative occupations had narrowed the gap to, or even surpassed, that of garment workers. Moreover, the beginning industrial diversification opened up employment alternatives. Whereas garment factories accounted for an estimated nine out of ten female industrial jobs immediately before the financial crisis, its share declined to a third in 2012, suggesting that jobs in other industries – including auto parts, electrical appliances and components and construction materials – had begun to emerge (graph H) (Un 2013, 79; World Bank 2017).

The first (temporary) labour shortages

Many of these processes were slow and gradual, and the first signs of a looming labour shortage appeared towards the end of the 2000s. With a contraction of the aggregate pool of (female) Cambodians, from which factories typically recruit, and relative improvements in job alternatives, garment factories began having difficulties attracting employees. Already in 2008, a year of unusually high inflation, reports emerged on garment workers quitting the assembly lines, either to return to the countryside or to take higher-earning jobs in entertainment clubs, karaoke bars or the like (New York Times 10 Sep 2008). As noted in the previous chapter, however, the global financial crisis, with the demand failure in the global North transmitted through GVCs to producers in the global South (Keane 2012), effectively delayed the effects of the tightening labour market. Yet, as the industry recovered from the slump, factories began facing problems. From the slowest employment growth in any three-year period (-2% on average in 2008-2010), the path-breaking strikes in 2012-2014 coincided with the greatest expansion in garment employment in the post-MFA context, at an annual average rate of 14%. With demand picking up steam, labour scarcity finally materialized (PPP 7 Dec 2012).

An ILO survey among employers in six different sectors, conducted in December 2012, clearly testifies to the mounting labour shortage (Bruni et al. 2013). The report found that the shortage was particularly acute in the garment industry, where 56% of employers had vacancies, 77% of which considered the empty slots hard to fill. When asked why their vacancies were hard to fill, the three main reasons cited by garment factories were "too much competition from other employers" (53%), "a low number of applicants generally" (39%) and "not enough people interested in this kind of job" (31%) (Bruni et al. 2013, 49). The report, moreover, observed that "quite surprisingly for a country that, at least on paper, should have an almost unlimited supply of unskilled labour, vacancies for elementary occupations were considered hard to fill in almost 75 per cent of the cases" (Bruni et al. 2013, xvii). This picture resonates well with that obtained from fieldwork, where many factory managers confirmed that while labour was (and is) abundant, they *did* have a hard time recruiting employees in the years immediately prior to the turning point, and that factories, especially in Phnom Penh, had to compete to attract workers, creating upward pressures on wages and working conditions. This dynamic is exactly what Ken Loo, general-secretary of GMAC, alluded to in 2013, when he – in an argument for market-based rather than legally-defined wages – remarked that "[e]very single garment and footwear factory in Cambodia needs more workers. When demand outstrips supply, you will see benefits going up" (CD 23 Jan 2013). This situation contrasts sharply with that a decade before, where factories, as noted in the previous chapter, turned away "100 to 150 people every week" (Wall Street Journal 28 Feb 2000).

On this basis, it can be argued that the path-breaking strike wave in the Cambodian garment sector in 2012-2014 was leveraged by an unprecedented rise in workers' marketplace bargaining power, caused by the first-ever contraction in the supply of workers in the age typical of factory employment, rising productivity and incomes in agriculture and the emergence of better job alternatives – and coinciding with the post-crisis recovery of the industry. What was in the previous period a virtually inexhaustible source of labour had nearly dried out – a trend that, arguably, contributed to tilting the balance of class forces towards labour at the time of the turning point.

In important respects, however, the shortage was self-imposed: It was the decade-long erosion of incomes that deterred young Cambodians from taking jobs in the once-so-sought-after industry. This conclusion is supported by the ILO report, which emphasised employers' unwillingness to pay higher wages as a fundamental cause of hard-to-fill vacancies (Bruni et al. 2013, 48). As such, the labour scarcity prior to the critical juncture should be seen more as a temporary and local phenomenon than a permanent, system-wide feature. With the steep rise in minimum wages from 2012 onwards, the shortage lessened – and during fieldwork, GMAC representatives and other informants made clear that if labour is no longer as cheap as before, it is certainly still abundant in Cambodia.

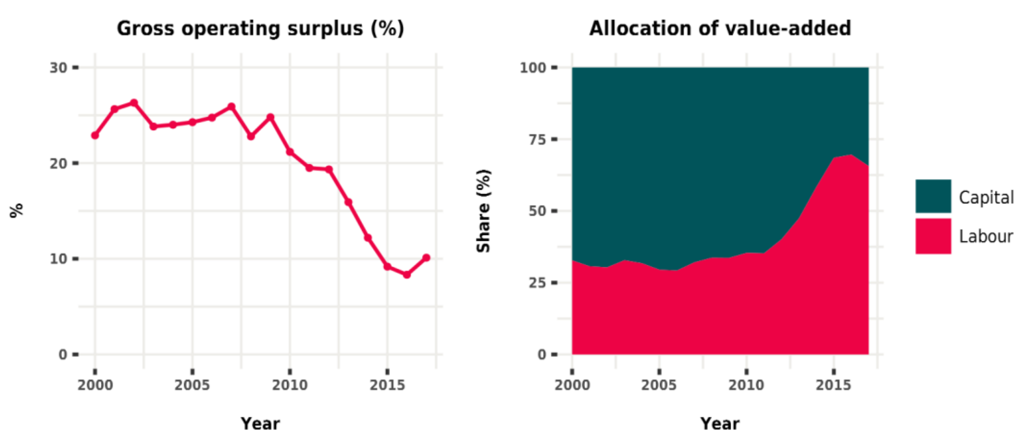
6.5 Instigating a dual crisis of profits and politics

As demonstrated above, the successful strike wave, leveraged by new union strategies and a convergence of workers' structural power resources, produced substantial material gains for Cambodian garment workers. From the perspectives of manufacturers and the ruling party, however, the critical events of 2012-2014 were deeply disturbing. In fact, it can be argued, the victories of the garment working class inflicted a dual crisis – of profits and politics – on capital and the state. These challenges were sparked during the critical juncture, but continued well into the subsequent phase, explored in the next chapter.

For garment manufacturers, the more-than-doubling of the minimum wage acted as a major squeeze on profits. Every single of the 20 factory managers interviewed during fieldwork in 2017 reported that rising labour costs since the turning point had made a deep cut into their profits, leaving them on the brink of survival. One employer representative described how the "disgustingly high profits" of the past, earned during the cheap-labour phase, had become "disgustingly low", with profits "gone to zero or even negative". Another observed that "while before, we were talking about getting rich, now we are only thinking about surviving".

The erosion of profitability is clearly evident in sector-level data. Figure 23 extends the profitability estimates discussed in chapter 5 to the period examined in this chapter. As seen, the

Figure 23. The profit squeeze: Gross operating surplus and allocation of value-added



Note: Gross operating surplus is calculated as value-added for the garment and footwear industries (from National Accounts, NIS 2018), subtracted the total wage bill for those sectors (Ministry of Commerce) and divided by gross output. The latter is approximated by total export value of garment and footwear products (HS 61, 62 and 64) – a feasible proxy, as practically the entire output from those industries is exported.

gross operating surplus as share of output in the garment and footwear industry (left panel) plummeted from 19.5% in 2011 to 12.2% in 2014 – and, as will be discussed in the next chapter, it declined further to 9.2% in 2015 and 8.3% in 2016. These figures, it should be remembered, are *before* tax, interest and depreciation. According to these estimates, hence, the profitability of the Cambodian garment and footwear industry was *more than cut in half* in five years; the labour-led turning point certainly put an end to the super-profits of the cheap labour phase. Equally, as shown in the right panel, while factories used to keep two-thirds of total value-added for themselves as of profit, the critical juncture reversed the lots – by 2016, labour captured 70% as compensation and just 30% was left for capital. To make matters worse, the unprecedented depth of industrial action took its toll on labour productivity. From its peak in 2011, the average value-added per worker in the garment and footwear industry dropped year-by-year, ending 14.5% lower in 2014, in real terms.

Obviously, the profitability crisis was not just a concern for garment manufacturers, as the strains of an industry accounting for 10% of GDP, more than 80% of all export earnings and a large chunk of formal sector employment represent a problem for any government. The ruling party, however, had another crisis to boggle with. As argued above, the 2013 election and the post-election protests posed the deepest challenge to the dominance of the ruling party and Hun Sen, in office since 1984, for decades. The watershed events of 2012-2014, arguably, exposed the cracks in the CPP's traditional strategy of securing election victories through the distribution of patronage in its rural heartland. As argued above, an underlying reason for this contestation was the rise of the garment working class as a structurally important voting bloc. The triggering factor, yet, was the ability of the CNRP to capitalize on the grievances of this emerging social force. Against this backdrop, the "convergence of protest paths" – the fusing of the labour movement and the opposition movement – during the critical juncture only added to worries of the ruling party.

6.6 Conclusions

This chapter has investigated the sudden turning point in the social trajectory of Cambodian garment workers, evident in a doubling of the minimum wage in less than three years. It has argued that the break with social downgrading was caused by an unparalleled strike wave against the backdrop of new union strategies and shifts in workers' structural bargaining power vis-à-vis capital and the state. Violently repressed by the authorities, the strike wave triggered major clothing brands to add pressure on the government to institute a new minimum wage-fixing mechanism. This institutionalization of concessions, following almost two decades of infrequent minimum wage adjustments, was a major victory for the Cambodian labour movement.

The chapter shows that the timing of the turning point coincided with significant shifts in workers' structural bargaining power vis-à-vis capital and the state, including the emergence of the first labour shortages that – even if temporary and local – gave a sudden boost to their marketplace bargaining power, and the regime-shattering 2013 election, after which pro-opposition and garment worker protests fused into a mass movement that posed the greatest threat to the ruling party for decades. The chapter concludes by observing how these watershed events, paving the way for significant concessions for labour, instigated a dual crisis for capital and the state: A profitability crisis for garment manufacturers and a political crisis for the ruling party. The next chapter explores how the strategies pursued by garment manufacturers and the Cambodian government to restore these crises have, on the one hand, generated a severe "backlash" against the independent labour movement; and on the other hand, served as a push for economic upgrading.

CHAPTER 7

"The backlash": state and capitalist counter-strategies, 2014-2018

7.1 Chapter introduction

As seen in the last chapter, the seismic shift in capital-labour-state relations, brought about by the 2012-2014 strike wave, not only delivered gains for garment workers in Cambodia – it also launched a dual crisis for capital and the state. This chapter zooms in on the development of the industry since the turning point. It argues that subsequent social and economic trajectories were deeply influenced by the strategies adopted by garment manufacturers and the ruling party to resolve these crises, restoring profitable capital accumulation and reconsolidating political power. While the ruling party's efforts to prevent a rerun of the 2013 election brought further material improvements to workers, the parallel measures to curb their associational power – pursued by the government and garment manufacturers alike, often in alliance – inflicted serious damage on the independent labour movement. Meanwhile, the squeeze on profits from rising labour costs acted as a push, forcing garment manufacturers to – more or less successfully – attempt at economic upgrading and the government to take a more proactive approach to industrial development.

The chapter is organized in five sections. Section 7.2 provides an overview of the material concessions granted to Cambodian workers since the critical juncture, showing how the ruling party adopted an increasingly populist approach to secure the support of the garment working class. Section 7.3 explores the various tactics pursued by the government and employers to undermine workers' associational power, situating them in the wider crackdown on critical civil society. Section 7.4, in turn, examines the measures taken by the government and manufacturers to alleviate the profit squeeze, accommodating social upgrading by raising value capture per worker, including new industrial policies and the range of technological, product and, not least, disciplinary fixes pursued by factories. Along the way, the effectiveness of these various initiatives is discussed. Section 7.5 concludes.

As will be clear, the resolution to the dual crisis came at high costs. The grave backlash against labour was, arguably, the final nail in the coffin of Cambodia's past (if always inappropriate) reputation as "ethical" producer. Although there are early signs that the downwards trends in productivity and profitability may have been broken, a large part of the adjustment burden has been shouldered onto workers, leading to a severe intensification of labour processes. Equally, while the ruling party managed to reconsolidate power, it only succeeded after the Supreme Court had dissolved the political opposition, effectively eliminating competition in the 2018 election. In response, the EU – the largest market for Cambodian garments – initiated the process of withdrawing duty-free access under the EBA, calling the future sustainability of the garment industry into question. Indeed, the victory of Cambodian garment workers may likely prove a Pyrrhic one.

7.2 Strategy #1: Co-opting the garment workforce

After the critical juncture, a top priority for the ruling party was to prevent a repetition of the landslide 2013 election. To this end, it sought to win over, or co-opt, the garment workforce. While improvements for workers were also a result of the institutionalization of concessions, it became increasingly evident that the prime minister saw the "garment vote" as a key element in his survival plan. In this way, the critical juncture marked a shift in labour-state relations, with the government taking more attentive, if clearly populist, approach to workers' living standards.

7.2.1 Institutionalized concessions

The institutionalization of a new wage-fixing mechanism, agreed by the Labour Advisory Committee (LAC) in 2014, has ensured Cambodian garment workers a series of regular and steady upward adjustments of the minimum wage since the critical juncture, albeit at a decelerating pace (see Figure 1 in chapter 6). Following the record 28% hike passed in 2014, the wage talks in 2015 produced a $12 increase, raising the minimum to $140 ($157 including benefits) from January 2016. Prior to the negotiations, GMAC had – based on a survey among its members – considered opting for a total wage freeze, while a group of independent unions had demanded $207, informed by a new survey on workers' living expenses commissioned by Friedrich Ebert Stiftung and IndustriAll (CD 21 Aug 2015). Ultimately, after long discussions, the unions – across political cleavages – submitted $160 (a 25% increase) to the LAC, GMAC submitted $133 (a 3.9% increase), while the government proposed $135 (a 5.5% increase). As usual, the government's proposal was voted through, and the prime minister personally added another $5 (CD 9 Oct 2015). In 2016, a similar show unfolded: Among the three proposals ($171 by the union group, $147 by GMAC and $148 by the government), the government's figure passed and was topped by $5 by the prime minister, bringing the new minimum wage up to $153 ($170 including benefits), effective from January 2017 (PPP 30 Sep 2016).

In addition to these wage hikes, garment workers were granted other concessions. In October 2014, the prime minister declared that the salary tax threshold would be raised from $125 to $200, exempting most garment workers from salary tax. Subsequently, the threshold was elevated twice, to $250 in 2017 and $300 in 2018 (PPP 10 Oct 2014, 17 Jan 2018). In January 2015, the government announced a plan to reduce garment workers' electricity bills by stopping overcharging by landlords, bringing prices down from 2,500 riel/kWh to 610 riel/kWh (CD 30 Jan 2015). In July the same year, the National Assembly passed a Law on Rent Control, intended to protect low-income earners from wage hikes being immediately swallowed by landlords (CD 7 Jul 2015). More fundamentally, in January 2016, Hun Sen signed a decree that added a health insurance scheme to Cambodia's embryonic social security system. Of the three social security pillars specified by Cambodian law – employment injury insurance, health insurance and old-age pension – only the first, implemented in 2008 and paid via a 0.8% employer contribution, was in existence prior to the critical juncture. In 2016, however, the mandate of the National Social Security Fund was extended to implement the healthcare component, giving workers free medical treatment in hospitals and free consultations, among other things. Financed by a 1.3% contribution by both employers and employees, the number of workers covered by the scheme had, by the end of 2017, grown to around a million, the majority in the garment industry (CD 7 Jan 2016). Surely, this improvement in social protection was an important, albeit small step in the direction of decent work.

7.2.2 Election woos: Hun Sen's charm offensive

With the next election approaching, however, it became evident for Hun Sen and the CPP that these concessions were, by themselves, insufficient in guaranteeing success. Two unpublished opinion polls commissioned by the CPP, collected in 2016 and leaked to the media in June 2017, showed that Hun Sen had lower popularity ratings (favoured by 63%) than Sam Rainsy (84%), the former CNRP-president in exile, and its current president, Kem Sokha (74%) (CD 19 Jun 2017). The surveys, moreover, suggested that workers, compared to farmers and business owners, were the group least likely to vote for the ruling party (CD 7 Aug 2017). The threat became even more glaring with the commune elections in June 2017. In the race, the CNRP won 43.8% of the popular vote, up from 30.6% in the previous local elections in 2012, while the CPP won 50.8%, down from 61.7%. As Chheang (2018) observes, this outcome represented a "turning point in rural politics in that it marked an end to the CPP's political monopoly in the rural areas" (2018, 2).

Immediately after the commune election, therefore, the wave of concessions accelerated, as the prime minister – in a move widely understood to be part of the preparation for the 2018 election – stepped up his charm offensive against the garment workforce. In a run of weekly meetings with workers, attended by up to 10,000 at a time, either in the conference center on Koh Pich Island in Phnom Penh or in the many industrial parks dotted around the capital, the premier announced a host of new benefits (CD 7 Aug 2017, 21 Aug 2017; PPP 21 Aug 2017, 28 Aug 2017). Posing for selfies (see Figure 24), Hun Sen announced that from 2018, contributions to the health insurance, amounting to 2.6% of wages, would be shifted entirely onto employers (CD 28 Aug 2017). Also from 2018, pregnant workers would receive a $100 baby bonus for every child birth, and the NSSF would pay maternity benefits equal to 70% of workers' wages, a boost on top of the 50% paid directly by the employer that would bring maternity benefits up to 120% of normal salary during the three-month leave period (KT 24 Aug 2017, 7 Sep 2017). This move made Cambodia the only country in the world, where the level of maternity benefits *exceeds* the normal salary (ILO 2017c). The benefit package also included free public transportation for two years and

Figure 24. The prime minister's charm offensive against garment workers

Source: Phnom Penh Post, 9 Feb 2018

the promise of a pension plan for garment workers to commence in 2019[59] (CD 21 Aug 2017). The prime minister even attacked the widespread use short-term contracts in the garment industry, calling for a "proper solution" to the problem (PPP 5 Oct 2017). Moreover, already before the tripartite negotiations could begin, Hun Sen promised workers at least a $15 wage hike (CD 30 Aug 2017). The $170 minimum wage implemented in January 2018, again after he had added his customary $5, was not just the greatest increase since the record passed in 2014 – it was the first time ever that the raise matched the union group's proposal (although this was, admittedly, also much more modest than before)(PPP 6 Oct 2017).

7.2.3 Extending patronage, eliminating opposition

The ruling party's newfound attentiveness to the army of garment workers was unprecedented. As a 48-year-old female worker, one of the few who had been in the industry since 1999, told a reporter after a meeting with the prime minister: "It is quite strange, isn't it? It's a very new thing. I'd never heard of and never received such promises before" (Nikkei Asian Review 25 Oct 2017). As hinted above, and as was widely recognized by fieldwork informants, these populist woos should be viewed as an effort by the ruling party to prevent a rerun of the 2013 landslide

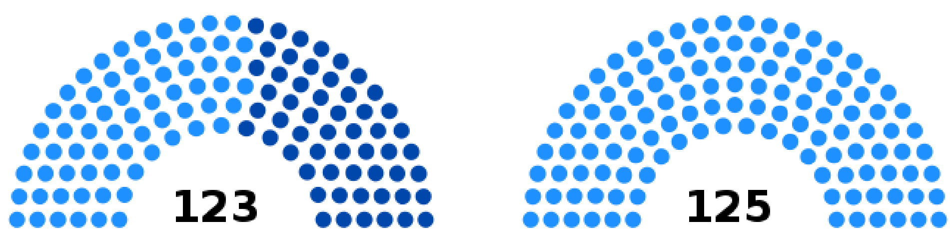
[59] A new law, expanding the mandate of the NSSF to implement the pension scheme was passed in August 2019 (KT 5 Aug 2019).

election. As such, it reflects a seismic shift in the balance of power between labour and the state, as noted in the previous chapter. From being virtually unimportant to the survival of the regime, whose dominance was firmly anchored in its patronage-fuelled control over rural areas, the garment workforce had by 2018 grown to represent 11% of all registered voters in Cambodia[60], and a fifth of all households had a member working in a garment factory (ILO 2018b, 2). In the course of the capitalist transition, the working class had emerged as a constituent, which – due to its sheer size – could no longer be neglected for a political elite caring about its survival.

The shift in the ruling party's approach to the garment workforce may be seen as an attempt to bring it under its patronage umbrella, marking a gravitational shift in the powerbase of the CPP, extending its long-held strategy from the rural electorate to the industrial working class. A core mechanism in this setup is delivering material improvements in exchange of political loyalty. Indeed, at the opening of 2019, garment workers' real minimum income was 21% higher than in early 2015 and more than twice as high as in January 2012, at the onset of the critical juncture. Consequently, above-inflation wage increases contributed to further narrowing the gap to a living wage. The minimum wage applicable from January 2019 represented 75% of a living wage for the typical Cambodian family[61], up from 65% in 2015 and 37% in 2012.

Uncertain that its populist woos would ensure electoral success, however, the ruling party turned to more heavy-handed initiatives. Only after the Supreme Court had dissolved the only viable opposition party, CNRP, in November 2017, in a lawsuit filed by the Ministry of Interior, could the ruling party rest assured. In the absence of any real competition, the CPP won a sweeping victory in the parliamentary election in July 2018, taking *all* 125 seats of the National Assembly. The challenge to CPP rule was warded off for now (Figure 25).

Figure 25. The National Assembly – 2013 and 2018



Note: Light blue = CPP, dark blue = CNRP. Source: Wikimedia Commons.

[60] Eligible voters, Aug 2018: 9,664,216 (COMFREL 2017). Number of garment workers, incl. subcontracted factories: 1,057,776 (ILO 2018b, 2).
[61] According to the living wage estimate of WageIndicator.org.

7.3 Strategy #2: Undermining workers' associational power

If the prime minister gave workers with one hand, he took with the other. A second set of counter-measures in the context of the dual crisis sought to curb the associational power of labour. These steps were, arguably, not just pursued by the ruling party with a view to weakening the labour movement that played a key role in its own political crisis; the government was clearly under pressure from garment manufacturers to take steps to pacify the independent unions that had led the strikes, taming the upwards pressure on wages. Three tactics were prominent: The launch of what the Cambodian human rights NGO LICADHO calls "a new arsenal of repressive laws" (LICADHO 2017); legal harassment against union leaders and other activists; and the continuance of long-standing anti-union tactics within factories. None of these strategies were new, but gained further prominence after the critical juncture. The next sections flesh out each of them, while the fourth reflects upon their implications.

7.3.1 A new arsenal of repressive laws

As the first leg in the crackdown plan, the Cambodian government introduced of a series of laws aimed at restricting the freedoms of expression, association and assembly of critical voices. To name a selection, the Law on the Organization of the Courts (2014), the Law on the Organization and Functioning of the Supreme Council of Magistracy (2014) and the Statute of Judges and Prosecutors (2014) further undermined the rule of law by giving the government extensive control over the courts; the Law on Association and Non-governmental Organizations ("LANGO", 2015), among other things, put NGOs under onerous registration procedures, allowing for administrative dissolution on vaguely defined grounds; and the Law on Telecommunications (2016) authorized government surveillance and criminalizes online expression that may compromise "national security" (CCHR 2015b; LICADHO 2017, 12). In addition, two "urgent" amendments to the Law on Political Parties (2017) effectively destroyed the political opposition, culminating in the above-mentioned move by the Supreme Court to abolish the CNRP in November 2017[62]. Around the same time, the government staged an offensive against critical media, resulting in the shutdown of the in-country operations of Radio Free Asia and Cambodia Daily (CCHR 2017; OHCHR Cambodia 2017; ICJ 2019). While these initiatives were directed at critical civil society in general, two laws were specifically levelled against the labour movement: The Trade Union Law (2016) and the Law on Minimum Wages (2018).

[62] The amendments, among other things, barred convicts from political leadership, forcing long-standing opposition leader Sam Rainsy, faced with multiple lawsuits, to resign (CD 11 Feb 2017); prohibited parties from "conspiring" with foreign powers, opening for the arrest of Rainsy's successor, Kem Sokha, on charges of treason and colluding with the US (PPP 4 Sep 2017); and, in the words of a joint statement by Cambodian CSOs, by expanded the government's "power to effectively dissolve any political party they see fit, on the basis of exceptionally vague and subjective criteria" (CCHR et al. 2017).

The Trade Union Law (2016)

First requested in 2007 by the Cambodian Federation of Employers and Business Associations (CAMFEBA) at the Government-Private Sector Forum, a mechanism for the business community to voice its concerns to the government, the Trade Union Law was long in the making (CAMFEBA 2015). The early drafts, the first written in 2008, contained heavy-handed provisions and were by the Solidary Centre characterized as possibly "the most draconian trade union law in the region" (PPP 17 Jan 2011, 15 Mar 2011, 18 Nov 2011). Although some contentious issues were later dropped, the law was never presented to the parliament at the time. After the violent repression in early 2014, however, it resurfaced. In May 2014, the government released a new draft, which marked a "dramatic turn for the worse" and was dubbed "a step backwards" by the ILO (CD 29 May 2014; LICADHO and CLEC 2014). After some of the most controversial provisions had been amended, not least due to pressure from unions, brands and civil society, the Trade Union Law was passed in April 2016, amid violent clashes outside the National Assembly. Although a host of critical issues have been raised, three aspects of the law stand out[63].

Firstly, the law makes it more difficult for unions to conduct lawful strikes (CCHR 2016; OHCHR Cambodia 2016). For strikes to be legal, an absolute majority of all union members is required to participate in strike decisions, and an absolute majority of these to vote in favour. In a letter to the government, leaked to the Phnom Penh Post, the ILO expressed concern, warning that these voting procedures could make "strike action difficult, if not impossible, for the larger trade unions" (PPP 1 Apr 2016). Moreover, in a characteristically vague language, the law makes it illegal for unions "to agitate for purely political purposes or for their personal ambitions", to block factory gates and to close off public roads, among other things. These attempts to depoliticize union activity is worrying, since, as the Cambodian Centre for Human Rights notes, unions are by definition centres of political activity and will, by their very function, necessarily engage with political issues (CCHR 2016, 6).

Secondly, the law puts excessive requirements on the registration and operation of unions. To be legal, unions must be registered with the Ministry of Labour. However, to obtain registration, a complex list of conditions must be met, not least the provision of a host of documents, including a list of leaders and managers, bank account details, official election minutes and a list of all members. Likewise, unions must comply with equally burdensome reporting requirements, including detailed financial statements and activity reports, to maintain their registration. Documentation rules were tightened by ministerial decree (Prakas 249), which added bibliographical information – names, ID numbers, addresses and phone numbers – of not just union members, but even their parents, spouses and children (FFMP 2018, 4; CCC 2019). Non-compliance with these arduous procedures puts unions at risk of being fined or having registration revoked. Overall, these

[63] For comprehensive legal analyses, see CCHR (2016), LICADHO (2014) and OHCHR (2016)

provisions "grant authorities excessive discretionary control over trade unions' registration", and allow for arbitrary interference in their operations (Solidarity Center Cambodia et al. 2019, 5).

Thirdly, the new law gives unions that have "most representative status" (MRS) – i.e. counts at least 30% of workers in the enterprise as members, and has more members than competing unions – the *exclusive* right to represent *all* workers in collective bargaining and collective dispute settlement. Under this rule, minority unions are excluded from representing their members in conciliation by the Ministry of Labour and arbitration in the Arbitration Council (CCC 2019; Solidarity Center Cambodia et al. 2019, 9). In addition, as the most-representative status is recognized at the *enterprise* level, union *federations* are no longer allowed to represent their members in collective disputes (ITUC 2019), a common practice given the low capacities of most branch-level unions.

Due to these and other issues, the Trade Union Law was widely condemned. The Cambodian Centre for Human Rights deemed it a "grave threat to the ability of unions to effectively protect and promote the labour rights of their members", with the explicit aim "to weaken the power or organized labour", while Human Rights Watch lambasted that it "severely curbs unions' ability to bargain collectively and strike" (CCHR 2015a, 17, 2016, 2; Human Rights Watch 2016). These warnings were nodded at by unions and labour CSOs interviewed during fieldwork. A representative of a labour CSO observed that "the government is really trying to find a way to block the right to strike", while a high-ranking union official saw the government's intention as putting in place two "blocks": with the new registration procedures, "they try to prevent independent unions from being established in the first place"; and with the "most representative" condition, they "try to prevent unions from representing workers". As will be demonstrated below, these evaluations were concise, as the law proved effective in undercutting the work of independent unions.

Although the government had its own agenda, this overhaul of the legal framework was adopted under heavy pressure from garment manufacturers. Although this was denied by government officials interviewed during fieldwork, unions and labour advocates consistently viewed the Trade Union Law as a product of lobbying efforts by GMAC and CAMFEBA. Indeed, during interviews, GMAC officials highlighted the passage of the law as among its greatest achievements, and on its website, CAMFEBA openly describes it as one of its biggest lobbying successes (CAMFEBA 2019).

Law on Minimum Wage (2018)

The second law aimed at curbing workers' associational power is the Law on Minimum Wage, passed in June 2018[64]. Originally intended to codify the new wage-fixing mechanism agreed by the parties on the LAC in June 2014 and expand coverage to other sectors, the first draft released

[64] An unofficial English translation is available on the website of GMAC (gmac-cambodia.org).

in November 2016 raised serious concerns among trade unions and CSOs (PPP 23 Feb 2018; KT 8 Jun 2018). Two provisions were seen as particularly problematic. Firstly, the draft prescribed hefty sanctions for ill-defined offences, including fines of $1,250 for "creating obstacles or putting illegal pressure on discussions to determine the minimum wage"(PPP 29 Nov 2016). In effect, these sanctions would criminalize protesting or expressing discontent with the minimum wage. Secondly, the draft would require any person or institution wishing to conduct research on the minimum wage to obtain prior permission from the Ministry of Labour, a provision that would, effectively, ban independent research (ITUC et al. 2017).

Also the draft minimum wage law was widely decried. A joint legal analysis by the Cambodian Centre for Human Rights, Solidarity Centre and ITUC found that it would "severely restrict the fundamental freedoms of assembly, association, and expression" and "undermine and potentially criminalize the legitimate work of unions, labour rights activists and CSOs" (ITUC et al. 2017, 1). When interviewed in Cambodia, labour advocates reiterated these criticisms, portraying the law as a deliberate attempt to disempower workers from mobilizing and campaigning on the wage issue, crippling their bargaining power in future negotiations.

After pressure from unions and brands, however, the government in October 2017 – immediately after a high-level meeting with a coalition of global brands and retailers – announced that the controversial article prohibiting independent research would be dropped[65]; and in the next draft, issued in April 2018, also the penalization of pressuring or protesting over minimum wage negotiations had been removed[66] (PPP 17 Oct 2018; PPP 10 Apr 2018). When the law was promulgated a few months later, hence, it was a watered-down version, with the most labour-hostile elements amended. The law extended the minimum wage to all formal-sector employees, provided for the establishment of a tripartite National Council on Minimum Wage (NCMW) to conduct research and provide recommendations, and specified a "scientific method based on social and economic criteria". Some problematic issues, nevertheless, remained. In particular, the law requires anyone doing research on the minimum wage to submit their findings to the NCMW within 15 days, and it remains unclear whether they can be freely disseminated afterwards. More worryingly, the specification of *annual* wage discussions in earlier drafts had changed to "as per the determination of the Minister" – a reformulation that opens for the roll-back of a cornerstone of new wage-setting framework and a return to the past practice of longer periods of non-adjustment (OHCHR Cambodia 2018, 9).

[65] The lobbying efforts by the brands included, among other things, a letter to the prime minister, dated 7 June 2017, from the president of American Apparel and Footwear Association (AAFA), expressing concern over the minimum wage law (CD 19 Jun 2017), and a similar letter to the Labour Minister, on 19 July 2017, from the multi-stakeholder initiative, Fair Labor Association, representing more than 40 brands and a great number of CSOs (Fair Labor Association 2017). After a meeting held on 16 October 2017, the minister declared that the clause on independent research would be dropped. The government, moreover, dropped a draft law on dispute resolution (PPP 17 Oct 2017).

[66] On 19 March 2018, eight groups representing major brands and retailers, including American Apparel and Footwear Association (AAFA), Ethical Trading Initiative (ETI) and Fair Labor Association, among others, sent another letter to the prime minister, expressing "growing concern over recent developments" and the inaction on the promises made in October 2017 (Fair Labor Association et al. 2018).

7.3.2 Legal harassment and the criminalization of union activities

Armed with the palette of suppressive laws, manufacturers and the government – as the second pillar of the crackdown strategy – stepped up their "legal harassment" of unionists and labour advocates. Routinely, perceived threats were arrested on baseless charges, sometimes trialled, but more often put under judicial supervision, having restrictions imposed on their liberties. Convictions commonly involve suspended prison sentences, with the person under permanent threat of imprisonment or other legal action, if he or she is convicted for any other offence (Amnesty International 2017, 8–10; LICADHO 2017, 8–11). While such misuse of the judiciary has a long history, it escalated after the critical juncture[67]. Although the tactic is used against all kinds of dissenting voices – land activists, opposition politicians and human rights workers – the labour movement is one of the most systematically targeted of Cambodia's activist communities.

Perhaps the two most prominent cases in the run of politically-motivated lawsuits are the case against "the 23" detained during the strike suppression in January 2014, and the series of lawsuits against the "the union six", filed by GMAC on behalf of 170 garment factories soon thereafter. In the former, all 23 were found guilty in intentional violence and damage, among other things, and sentenced to 1-4.5 years in prison. The process clearly violated international fair trial standards – for instance, most of the accused wore "convicted"-printed uniforms already before the verdict, openly-biased judges referred to the strikers as "anarchists", and only evidence against the protesters was presented. Under pressure from civil society and the international community, the sentences were suspended (LICADHO, 2015: 3; HRW; CCHR, 2015: 10).

In the second case, six union leaders – including Thorn (C.CAWDU), Mony (FTUWKC) and Sina (CUMW) – were, after nine months of inaction and just days before the launch of the "We want $177"-campaign in September 2014, summoned by the court and placed under supervision. They were required to report to the police monthly and prohibited from joining strikes, meeting other union leaders and visiting the Veng Sreng area (Amnesty International 2017, 26–29). The court supervision was upheld for more than four years, but in December 2018 – after Hun Sen, under threats of EBA-withdrawal by the EU, had urged a speedy processing of outstanding cases – the union leaders were trialled (Reuters 7 Nov 2018). After another process, where neither evidence nor witnesses were presented – and despite the fact that three of them did not even participate in the protest – "the union six" were found guilty, ordered to pay $8,600 in compensation and sentenced to 2.5 years in prison. Also these sentences were suspended – but the leaders face imprisonment if convicted for other criminal acts within five years. As observed in a condemnation letter signed by 95 civil society organizations from 27 countries, this verdict may not only prevent them from participating in protest action until *after* the 2023 election. It may also force

[67] In a report by Human Rights Watch, security personnel speaking in confidentiality revealed that since the latter half of 2013, police and security forces had been compiling a blacklist of activists, journalists and human rights defenders, under instruction to "build criminal cases against these people, even if they had committed no criminal offense" (2014a).

them to resign as union presidents, as they now violate the criminal record requirement of the Trade Union Law (VOA News 11 Dec 2018; PPP 12 Dec 2018; Joint CSO Statement 2018).

Other examples are the case against four union leaders, charged with inciting violence during a 2016 strike, where three of them were not present; a lawsuit against Pav Sina (CUMW), sued by a factory over forgery and misinformation for misspelling the names of two workers in a union registration document (CD 23 Mar 2016); the case against Chea Mony (FTU), sued by a group of 120 pro-government unions, after encouraging buyers to stop sourcing from Cambodia in response to the deteriorating political situation (Frontline Defenders 2018)[68]; and, most recently, the case against labour advocate Moeun Tola for "breach of trust", an offence that even the victim's family denies he committed (PPP 18 Jan 2018)[69]. All these cases conform to what a Cambodian human rights NGO identified as a "recent trend to use the criminal justice system to silence the labour movement by targeting and groundlessly charging its key leadership" (LICADHO 2017, 8).

Hence, a central tactic pursued by government and employers alike has been to subject independent unions to sustained harassment in the form of arbitrary arrests, lawsuits on unsubstantiated charges, cases kept unresolved for years and threats of imprisonment or forced resignation. Already a year after the 2013-2014 New Year's strike, Dave Welsh, then country-director of Solidarity Centre, could claim that there were "lawsuits against literally every independent union leader in the country" (PPP 2 Jan 2015). Between 2014 and 2017, the CLC alone faced 90 charges against 46 leaders and members, and by 2018, the confederation counted 25 in prison or under threat of criminal punishment (ITUC 2019; Solidarity Center Cambodia et al. 2019, 8)[70]. When interviewed in Cambodia, trade unions and labour CSOs portrayed such criminalisation of their activities as a deliberate attempt to scare and pacify them. A union official characterized it as a "suffocation strategy": "It's like putting a wild animal in a cage, so it cannot attack"[71].

7.3.3 A continuation of employers' anti-union tactics

As the final pillar in the attack on organized labour, employers have sustained their long-lived anti-union tactics *within* factories (see chapter 5). A common practice is to dismiss, suspend, demote or otherwise retaliate against workers who attempt to organize or protest. This strategy may be levelled against workers *en masse*, as when SL Garment Processing dismissed more than 600 after the September 2013 strike, or Gawon Apparel in January 2018 fired 588 after a lengthy

[68] The charges against Mony were dropped in February 2019 (PPP 22 Feb 2019).
[69] In April 2014, CCAWDU president, Ath Thorn and union activist, Pav Phanna – despite a strike-ending agreement, in which the company agreed to drop all lawsuits – were charged with inciting violence during the four-month SL Garment Processing strike in 2013. Indeed, the company did not file the lawsuit itself, but so did a security guard employed by the factory (PPP 9 Apr 2014). Phnom Penh Municipal Court ordered Ath Thorn in pre-trial detention, unless he paid a bail of $25,000 within two weeks – which, after a serious fundraising effort, Thorn did in May. Thorn, however, appealed bail conditions that, among other things, excluded him from holding public gatherings (PPP 25 Jun 2014)
[70] Similarly, by the end of 2018, Ath Thorn (C.CAWDU) and Pav Sina (CUMW) each had seven lawsuits pending trial, while Yang Sophorn (CATU) had eight unresolved complaints (PPP 8 Nov 2018).
[71] Indicative of the grave situation, some informants were constantly "on their toes" during interviews, anticipating arrest or other kinds of intimidation.

protest over unpaid wages;. Or it may be used specifically against the leadership, as when more than 100 union leaders were fired after the 2014 crackdown (PPP 28 Jan 2014).

An essential tool for weeding out troublemakers, and of concealing its anti-union purposes, is the widespread use of short-term contracts. Although fixed-duration contracts (FDCs) gained hold after the MFA phase-out, fieldwork provided recent examples of factories closing down only to re-open with workers entirely on FDCs, and of employers shortening already short contract periods. All 20 workers interviewed in Phnom Penh were hired on FDCs, from one to six months' duration. Interviews confirmed that short-term contracts are used by employers to obstruct unionization. One worker reported: "I used to be a member of a union, but three years ago, the factory announced that it was no longer allowed. There used to be two unions in the factory, but now, they have all been fired". Another provided a similar account: "There used to be unions, but then we had a big protest, and the factory fired all the union leaders. If the factory learns about anyone who want to lead a strike or form a union or anything, they will not renew her when her contract expires". How engrained such union-busting is, is illustrated by the experience of a manager interviewed during fieldwork, who had tried to set up a factory with unlimited-duration contracts (UDCs). The manager recalled the reaction of the newly-hired HR manager: "No, don't do that – it is stupid! If they have UDCs, we cannot get rid of the rotten apples".

Another common strategy by employers is to support management-friendly or "yellow" unions. The majority of the workers interviewed on the outskirts of Phnom Penh did not remember the name of their union, and many reported that managers had simply handed them union cards upon hiring, without giving them a choice. Some workers, moreover, gave examples of employers intervening to exclude specific unions. One worker reported that "about two years ago, our manager told us that we couldn't be members of a particular union – so they took our membership cards and gave us some new ones". Another, who had been automatically assigned a union, explained: "When we have an issue, the union never comes to help us. We just pay them 1000 riels per month, it is a waste of money!"

Factories, however, have other ways of interfering in union activities. Some prevent organizing by bribing union leaders or providing "perks" to dissuade them from inciting workers, a practice which was even mentioned by an outspoken factory manager interviewed in Cambodia. Others block union formation or harass or intimidate union leaders (Xhafa and Nuon 2018, 16). The variety of tactics, and how they are sometimes supported by authorities, is well illustrated by a case reported in Phnom Penh Post. When Peng Phalla, a sewing machine repairman, in December 2017 attempted to form a union, he was confronted by a series of obstacles. First, management accused him of sexual harassment, which the workers denied. Then, an administrator approached his wife at her workplace, interrogating her about his activities. A few days later, his parents were intercepted by the local police chief, warning that their son would lose his job, if he continued his activities. Finally, three weeks after submitting the paperwork, he was fired (PPP 13 Mar 2018).

While such systematic obstruction of union activities is an old strategy in Cambodia, it has continued – if not escalated – since the critical juncture. Of the 248 cases submitted to the Arbitration Council in 2016, "reinstatement" of dismissed unionists was the single-most important issue, referred to in 44% of the cases, while anti-union discrimination was mentioned in 15%, much higher than in 2015. In the first half of 2017, reinstatement and union discrimination had become the two largest issues, mentioned in, respectively, 67% and 29% of cases[72] (Arbitration Council 2015, 2016, 2017). Confirming the extensive interference in union activities, a survey of civil society leaders, conducted between April 2016 and March 2017 as part of the cross-CSO Fundamental Freedoms Monitoring Project (FFMP), found that 45.7% of unions had experienced third party interference, substantially higher than for other CSOs (8.1%) (FFMP 2017, 2018).

7.3.4 Wither the (independent) labour movement?

As shown above, a range of measures taken by garment manufacturers and the ruling party aimed at weakening the associational power of labour. Sometimes in separate tracks, sometimes in alliance, capital and the state have sought to reassert their dominance over an increasingly self-confident garment workforce. As argued by some fieldwork informants, the crackdown was neither particularly explicit nor dramatic. Rather, through the various means explored above, the room of manoeuvre for labour was gradually narrowed. In combination, these strategies inflicted serious damage on the labour movement. Three symptoms deserve mention (see Table 1).

Most glaringly, strike activity drastically declined (see Figure 1 in chapter 6). According to the records of GMAC, the number of strikes in the garment and footwear industry plummeted from a peak of 147 in 2013 to 47 in 2016 and 32 in 2017. During the first nine months of 2018, only nine strikes were recorded. Correspondingly, the number of person-days lost to strikes dropped from 888,527 at its 2013 peak to 203,783 in 2016 and 145,907 in 2017. By the third quarter of 2018, just 42,014 person-days had been lost, the lowest level for over a decade (BFC 2017, 9). Hence, collective action of the scale, level of organization and coordination that characterized the critical juncture has not happened again. While employers and the government attributed this cooling-off to a "maturing" of industrial relations, unions and labour advocates perceived it as, at least partly, a product of the counter-offensive by factories and the government.

Secondly, the obstacles to registration were readily felt. In fact, the blocking of registration began already before the Trade Union Law. Analysing official records from 2011 to 2014, Human

[72] Information on the frequency of different issues is not reported for earlier years. It should be mentioned, that the "classification" of claims used in the annual reports of the AC differs between 2015 and 2016, and that the number of cases dropped sharply in the first half of 2017 (more below).

Rights Watch found a drastic decline in union licenses issued by the Ministry of Labour in December 2013, amounting to a de facto suspension[73] (Human Rights Watch 2014b). With the passing of the law, however, regulatory obstacles were institutionalized. Indicative of this, the Trade Union Registration Evaluation Tool, part of the Fundamental Freedoms Monitoring Project (FFMP), recorded the experiences of 72 unions, as they attempted to register under the new rules. Tellingly, 81% of the unions answered "no" when asked if the registration forms had been "easy to complete". Of the unions that *had* completed registration in the second reporting period, half had applied three times or more; and for those that had *not* succeeded, delays were typically due to long processing by authorities, obstruction by employers or minor administrative errors, such as typos, misspelling or wrong fonts (FFMP 2018, 25–26). That registration barriers may be biased against independent unions was a point brought up by several fieldwork informants. Corroborating this, CENTRAL director, Tola Moeun, in June 2017 claimed that not a single independent union had been registered since the adoption of the Trade Union Law (APHEDA 2017). Later that year, an ITUC official reported that almost 80 independent unions had been blocked from registering with the ministry (PPP 15 Dec 2017; CD 9 Nov 2016).

Table 6. The crackdown in numbers

	2012	2013	2014	2015	2016	2017	2018*
Strikes	121	147	108	118	47	32	9
Person-days lost to strikes	542,827	888,527	513,444	452,364	203,783	145,907	42,014
Collective disputes for conciliation (MoLVT)	-	-	-	1,017	637	127	-
Collective disputes for arbitration (AC)	255	285	361	338	248	50	59

Sources: GMAC strike data, MoLVT (personal communication), BFC (2018), Arbitration Council (2019).

Finally, the granting of exclusive bargaining rights to "most-representative" unions weakened the ability of independent unions to represent their members in collective disputes. With genuine unions increasingly unable to compete with "yellow" ones, the number of cases submitted for conciliation and arbitration dropped substantially. According to data obtained from the Ministry of Labour, the number of collective disputes sent for conciliation, across all sectors, fell from more than 400 per year in the period 2013-2016 – reaching a peak of 1,017 in 2015 – to just 127 in 2017. Similarly, the number of cases submitted to the Arbitration Council declined from 361 in 2014 and 338 in 2015, to 248 in 2016 and 52 in 2017. In its October 2017 newsletter, the foundation behind the Arbitration Council compared the first six months of 2016 and 2017, i.e. before and after the adoption of the Trade Union Law. It found a sharp drop in cases every month, and attributes this to the new "most representative status" condition (Arbitration Council 2016, 6–7, 2017,

[73] Supporting this conclusion, C.CAWDU in August 2014 complained that it had not been able to register a single new union that year. CUMW had sent out five applications that had all been rejected by the authorities; and CCU-president, Rong Chhun pointed to 18 failed attempts to set up unions under his federation, all due to the new registration requirements (CD 21 Aug 2014).

1–2) According to Solidarity Centre et al. (2019), the caseload of the Arbitration Council has continued decreasing, with just five cases submitted over the last five months of 2018 (2019, 10).

All in all, the crackdown made a deep dent in the associational power of labour. Informants from labour CSOs, interviewed in the second half of 2017, went so far as suggesting that the independent labour movement was in "existential crisis", at the risk of "withering away". Given this backlash, the workers' victory at the critical juncture proved highly contradictory: improvements in measurable standards, including steadily increasing wages and advances in social protection, were swapped for a dilution of enabling rights. This not only calls the sustainability of concessions into question. With the counterattack, Cambodia has completed the departure from its past (and always inappropriate) reputation as "ethical" producer, earning a position among the "ten worst countries for workers" in ITUC's Global Rights Index in 2016 and 2018 (ITUC 2016, 2018).

7.4 Strategy #3: Moving up the global value chain?

Prior to the labour-led turning point, as seen in chapter 5, low wages and super-profits served as disincentives for manufacturers to invest in economic upgrading. After the critical juncture, as will be argued below, the wage-driven profit squeeze exerted pressure on both garment manufacturers and the government. Factory managers interviewed in Cambodia in late-2017 observed that "we cannot compete on labour costs alone, anymore" and that "there is an urgency for change". To alleviate the squeeze on margins, manufacturers made attempts to move up the value chain, and the government took new policy initiatives. The next two sections examine these responses, while the third discusses their effectiveness in solving the profitability crisis.

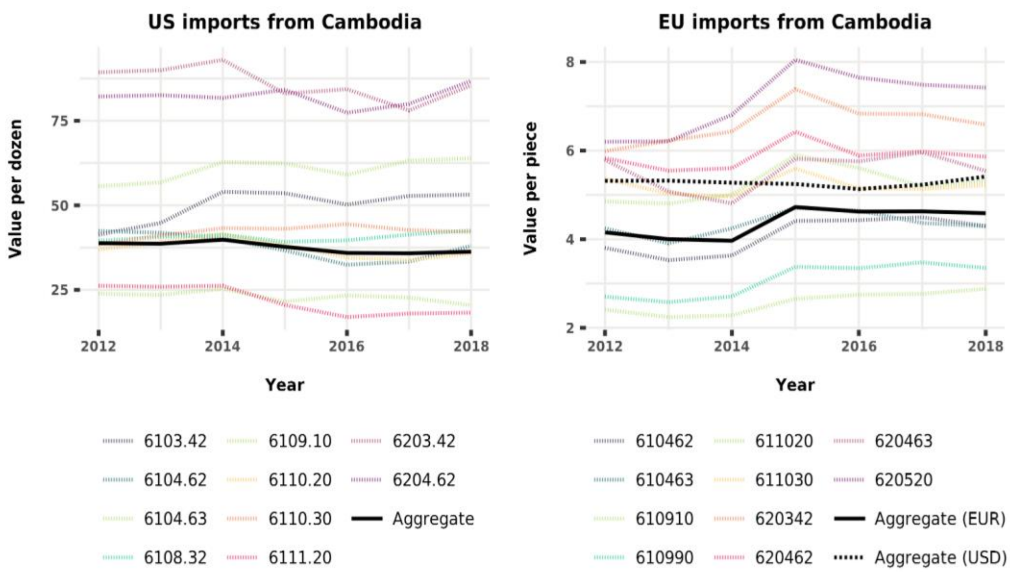
7.4.1 Factories: (failed) attempts at economic upgrading

As shown above, the wage hikes imposed a profitability crisis on Cambodia's garment manufacturers. With a deep cut in profits, many factories struggled to survive. In 2016, for the first time since its establishment in 1996, GMAC recorded a decline in its membership; and the records of the Ministry of Commerce show a drop in the number of exporting garment and footwear factories, from 699 in 2015 to 626 in 2016[74]. The trend is supported by statistics from the National Social Security Fund, according to which the number of factories, exporting or not, fell by more than 100 between 2015 and 2017. In terms of employment, the rapid growth after the global financial crisis levelled off, and 2016 saw a 3% contraction[75]. All factories interviewed during fieldwork in autumn 2017 recognized that to survive in the context of rising wages, action was needed. To restore profitable capital accumulation, manufacturers pursued a range of strategies aimed at

[74] A substantial portion of the closures may reflect a reclassification of 122 factories, implemented in early 2016, as the ministry realized that many factories had closed without notification (PPP 31 Aug 2016).

[75] Based on Ministry of Commerce data. NSSF data suggests that employment remained more or less stable between 2014 and 2017: 697 (2015), 702 (2016), 704 (2017)

Figure 26. Import unit values, US and EU – 2012-2018



Note: US import data extracted from USITC; EU import data downloaded from ComExt and covers EU-15. The graphs cover HS 61 and 62 at the 8-digit level. For each country, the ten largest import categories over the entire period were chosen. Only categories with quantity measured by dozen (US) and by piece (EU) are included. These, in both case, account for the vast majority of garment imports. Exchange rates (EUR-USD), Statista (2018)

raising the value extracted and captured per worker. The following sections examine three such strategies: Improving processes through the introduction of new technologies ("technological fixes"), moving into higher value-added product lines ("product fixes"), and squeezing workers harder ("disciplinary fixes"). Before that, however, the next section examines how the price squeeze has affected garment manufacturers in Cambodia since the labour-led turning point.

The persistence of the price squeeze

In chapter 5, it was argued that garment manufacturers, during the cheap-labour phase, were subject to an intense squeeze on export prices. Has the pinch persisted after the transition to rising wages? In September 2014, a group of eight major European buyers (including H&M and Inditex), in a letter to GMAC and the government, committed to paying higher prices in order "enable the payment of a fair living wage"(C&A et al. 2014). A few months later, the ILO called on all buyers to absorb a portion of the wage hikes (ILO 2015a). When interviewed in autumn 2017, however, the vast majority of factory managers and industry representatives reported that little had changed. One manager, whose factory was producing for one of the eight brands at the time, explained: "They just say it, because it sounds good, but they don't do it in practice. For our factory, they would not provide higher prices. They know full well that the wage has increased by 20%, and they sometimes give us 1, 2 or 3%, but it is almost nothing". Echoing this sentiment, another factory manager rejected the pledge as mere "bullshit and rubbish".

That the price squeeze remains in place, despite buyers' promises, is supported by international trade data. As in chapter 5, Figure 1 depicts the trends in unit values of US and EU garment imports from Cambodia, both in aggregate terms and for the ten largest product categories over the period (2012-2018). As seen, prices to the US market have continued their downwards trend. Seven of the ten largest categories had lower unit values in 2018 than in 2014, and the aggregate across all garment commodities ended 9% lower. In the case of the EU, the picture is more ambiguous. Denominated in euros, most categories, as well as the aggregate, recorded increases until 2015, but dropped thereafter. As argued earlier, however, the impact on manufacturers depends on their settlement currencies. In dollar-terms, the aggregate unit value increased slightly, ending 2% above its 2012-level; and from 2016 to 2018, it actually grew by 5.5%. Despite the modest increase over the last few years, unit values have remained practically constant. As was repeatedly stated during fieldwork, hence, the price squeeze continues to plague garment producers in Cambodia. What have manufacturers done to boost labour productivity in this context?

Technological fixes

"Because we cannot ask buyers to raise prices, modernization, mechanization and new technologies are the way to go". As reflected in this remark by a Taiwanese factory manager, a key response to rising wages has been to invest in productivity-enhancing, and often labour-saving,

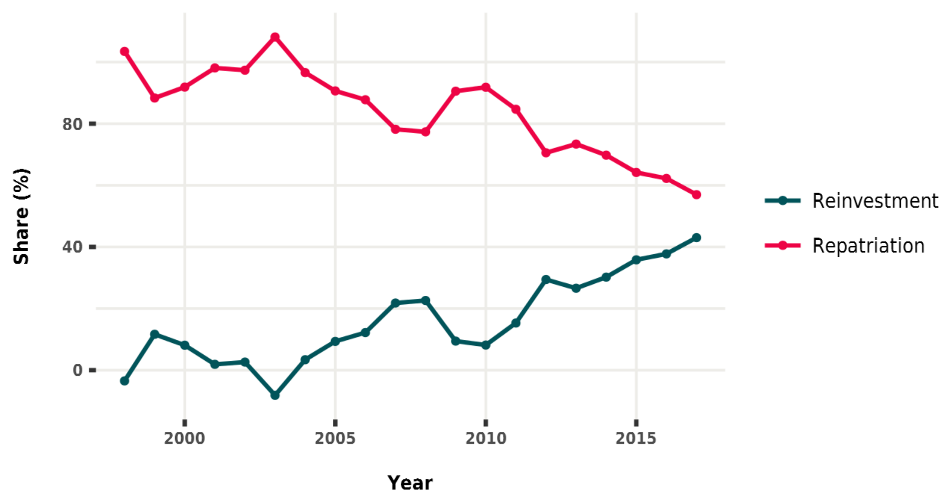
technologies. With higher labour costs, workers have "become more expensive in comparison to machines", and many factories have sought to replace them. Another manager detailed his survival plan: "Before, we used only manual labour. But now, we try to eliminate the workers by substituting them with machines". Several examples of such technological fixes were encountered during fieldwork. A common investment was "auto-flow" systems that automatically transport garments, placed on hangers, from one workstation to another along a rail-like line. According to one manager, such arrangement could boost output by 10-15%, while another claimed a 30%-hike in production targets. Similarly, the manager of a Korean-owned factory reported that for specific operations, workers were now assisted by machines. "Sewing collars on shirts, for instance, one worker can perhaps do 40 pieces per hour. But if you have a machine, it does more than 100. So you can double output and downsize the workforce". Other popular purchases included automated cutters – each "equal to five persons" – and knitting machines.

Other technological acquisitions, arguably, are more about *disciplining* than saving workers. Several factories had implemented barcode systems to monitor performance, identify "lazy" worker, and automatically calculate bonuses and piece-rates. Such barcode tracking, combined with auto-flow systems, were seen as having disciplinary side effects. "Productivity reports are now done automatically. We can monitor closely how fast everyone works – no one can cheat us", a factory manager assured. As result, it was no longer necessary for supervisors to "yell" at workers, as the new machines added the needed pressure.

A number of common problems, however, were experienced in adopting new technologies; obstacles, which deterred many from embarking on technology-led upgrading in the first place. First, the machinery requires substantial investments. Many informants stressed that smaller factories were unable to make the outlays and that even bigger ones could only do it with the support from buyers, as it requires stable orders and high-enough margins on products. Some, in addition, argued that it would take several years to recoup the investment, a fact that contradicts the short-term horizon of most garment manufacturers. Secondly, the productivity improvements that could be unleashed were, in fact, rather modest and subject to threshold effects. One manager explained that "if you sew 100 pieces today and reach 105 tomorrow, you are considered very good – but saying that you want to go to 120 is impossible!" Thirdly, adopting advanced machinery also required higher skills from the workers. To address this skills gap, GMAC in 2015 began construction of the Cambodian Garment Training Institute (CGTI), which opened in 2017. The new training centre, with technical assistance from the Singaporean Textile and Fashion Industry Training Centre, offers diplomas and short courses in industrial engineering, pattern-making, sewing techniques for complicated items, as well as design, product development and lean management, among others (CD 11 Jul 2017). Finally, industry representatives explained that – in contrast to e.g. automobiles or electronics – most operations and products in garment manufacturing cannot be automated. The majority of tasks in sewing, trimming and packaging still "require human hands", limiting the potential for technological fixes.

Fieldwork interviews, moreover, pointed to another obstacle: even when factories *do* engage in technology-led upgrading, there is no guarantee that they capture the fruits of productivity improvements. Several managers described that productivity-enhancing investments are often made at *request* of buyers *in order* to meet their tight price points. Asked if buyers had shown willingness to take responsibility for the wage hikes, the manager of a Hong Kong-owned factory replied: "No, no, no, the buyer only cares about money. So they say that the wage increases are the full responsibility of the factory. The tendency is that they cut down prices and want us to increase productivity – it's a headache". Another explained that although "buyers clearly know that labour costs have increased, what they say is that 'I don't want to pay you more, you have to recover it through productivity gains'". Here, the mechanism that Prebisch (1950) and Singer (1950) identified as a main driver of underdevelopment – the tendency of producers in the periphery to "trade away" productivity gains through lower prices – is operating full force, explicitly orchestrated by global buyers. These experiences resonate well with the point made by Marini (1973) that under dependent capitalism, technological progress does not negate super-exploitation as the dominant axis of capital accumulation. In the Cambodian garment industry, as will be detailed below, the introduction of productivity-enhancing technologies coexist with an increase in

Figure 27. Profit reinvestment vs. repatriation in foreign-invested sector



Note: Data from IMF Balance of Payments Statistics. The series in the left graph are found in the debt side of the current account, under "direct investment income". Here, the "income on equity and investment fund shares" is broken into "dividends and withdrawals from income of quasi-corporations" and "reinvested earnings". Data for the right graph is calculated as FDI inflow minus reinvested earnings, which is conventionally counted as part of FDI.

absolute surplus value, exactly because they fail to solve the fundamental problem: That garment producers see surplus value "slip through their fingers" through unequal exchange.

Irrespective of these challenges, there are signs that the shift in capital-labour relations brought about by the strike wave *has* been pushing garment factories in Cambodia to invest in new technology. This marks a significant break with the past behavior of foreign capital. In chapter 5, it was argued that cheap labour and super-profits in the phase of social downgrading served as disincentives for investment, and it was shown that the tendency of foreign-owned firms to repatriate rather than reinvest their income is observable on the primary account of Cambodia's balance of payments. Interestingly, a surge in reinvestment in the phase of social upgrading is equally evident, as shown in Figure 27. From a situation, where the lion's share of the income earned by foreign-invested enterprises was repatriated rather than reinvested (typically 90% vs. 10% until 2010), the rise in labour costs coincides with an increase in reinvestment. While just 15% of the income of foreign-invested firms was invested in Cambodia in 2011, the share had almost tripled to reach 43% in 2017.

As earlier, these figures cover all foreign-invested firms, not just in garment and footwear – and although the latter continues to represent a third of the FDI stock in Cambodia, the trends may not accurately describe the behaviour of garment investors. Another caveat is that the surge in reinvestment is most likely influenced by a range of factors apart from rising labour costs. Nevertheless, the trends are compatible with an argument frequently encountered during fieldwork:

That sequence of minimum wage hikes since the onset of the critical juncture has exerted pressure on garment firms to invest in economic upgrading.

Product fixes

Another strategy pursued by factories is to attempt moving out of the lowest segments of the value chain, subject to the greatest price competition. Stressing the urgency of such product upgrading, the operations manager of GMAC, speaking at a garment exhibition in Phnom Penh in August 2017, made clear that "from now on, producing higher-value products is necessary for our garment industry" (PPP 28 Aug 2017). Many managers pointed to this as a desirable way out of the profit squeeze. For instance, the manager of a Taiwanese-owned factory explained that as wage hikes had made it difficult to meet buyers' price targets on simple products such as t-shirts, he was attempting to move into more sophisticated products with complicated designs. Another manager reported that rising labour costs "force us to go up the value chain to make different things", and that the factory was changing its business model, shifting to bags and more advanced goods. Along similar lines, a now-Chinese-owned factory described how the former owners, a Korean company, had been unable to earn profits from sewing simple jackets, and that the new investors, who took over the factory in 2014, had decided to shift to sweater manufacturing, which is more apt for automation. As these examples suggest, and as GMAC representatives pointed out during fieldwork, product upgrading of the Cambodian garment industry may be well underway.

However, at least as many factories reported that few changes had taken place; and a common set of obstacles was brought up during interviews. One problem is that higher-value products are subject to higher entry barriers. A manager described how factories already producing high-end products prevent competition by continuously investing in improving efficiency, in new machines and skills, to keep quality high and prices low – which they can do due to their higher margins. "Everyone wants to move into the high-end segment, but there is not space for everyone", he observed. Secondly, as most garment factories in Cambodia are owned by East Asian TNCs, the choice to switch products is not made by themselves, but by their foreign owners – and their decision, ultimately, rests on the willingness of buyers to place different orders. For that reason, some factories, or rather their headquarters, were attempting to attract new buyers, especially from the more demanding, but also higher-value, fast-fashion segment. Thirdly, as with technological upgrades, higher-value production requires higher skills from workers, and managers generally complained that the potential of product upgrading was limited by the skills gap.

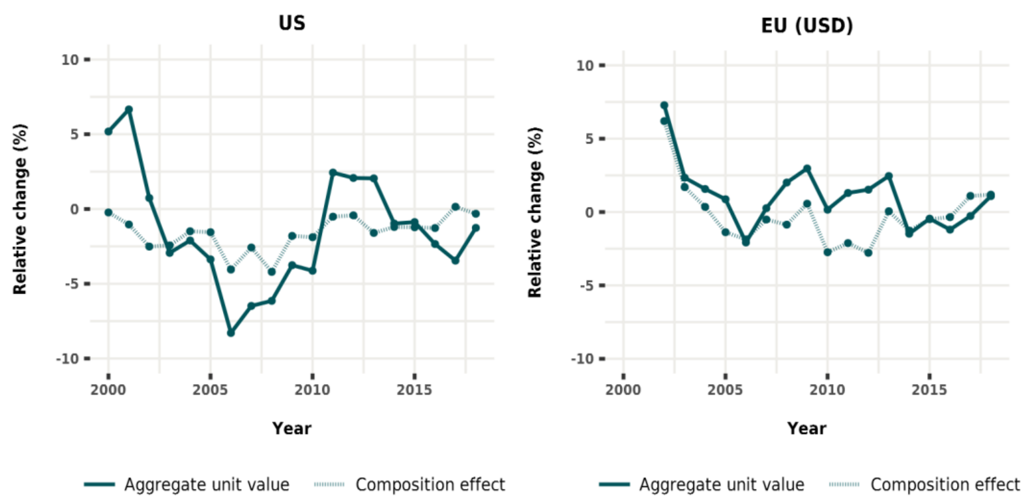
A final challenge experienced by factories was shifting to higher-end products means entering a market section where buyers' requirements to flexibility, quality and lead times are taken up a notch. In a telling example, the manager of a factory usually producing large batches of low-value babies' garments described the problems she had encountered when taking up a series of small-batch orders from an exclusive Italian fashion brand. It was too difficult, she explained, her workers were not used to working slowly with high-quality products, and after three months, she gave up and returned to low-value mass production. A similar experience was reported by the manager of a Korean-owned factory, who explained that as fast-fashion buyers require rapid design changes and short lead times, higher margins on these products risk being undermined by efficiency losses. As it takes a week to adapt to every style change, during which the factory would run at a loss, the 10-day production runs would hardly generate profit at all. For this reason, the factory had decided to stick to mass-production of low-value garments for a giant US retailer. As these experiences illustrate, combating the price squeeze through product upgrading may be counterproductive, as the move up the value chain entails a tightening of other sourcing requirements.

Due to these barriers, some factory managers suggested that product upgrading in the Cambodian garment industry was more likely driven by new investors, with different business models and customers from the outset. Despite rising labour costs, investment has kept flowing (World Bank 2018, 12). Though lower than in previous years, more than 50 new garment and footwear investment projects were approved in both 2016 and 2017; and 2016 saw the launch of 58 new factories, 33 opened in 2017, while 69 reportedly set off during the first nine months of 2018 (ILO 2018, 17; PPP 1 Nov 2018). Managers producing low-end garments interviewed during fieldwork were puzzled by the entrance of these investors and reckoned that "they must be making different products". To some extent, this seems to be the case. Specifically, the move to higher-value products has been aided by the entrance of investors, typically from China, where rising wages and labour shortages have rendered labour-intensive manufacturing uncompetitive and forced the relocation to lower-wage countries elsewhere in Asia, including Cambodia (PPP 8 Feb 2013; KT 30 Apr 2015). One example is a Hong Kong-owned handbag factory that opened in 2016. Before, the owner had production in mainland China, but as wages increased there, he decided to move to Cambodia. The manager explained that because handbags are made with semi-automatic machinery, production is more compatible with rising wages; and although he cautioned of future hikes, he was planning on establishing more facilities in the country. As others, this investor was pulled into Cambodia by the June 2016 decision by the US government to expand its GSP scheme, granting least-developed countries duty-free access for travel goods such as luggage, handbags and wallets (US Embassy in Cambodia 2016; PPP 16 Nov 2016). Since then, bags has emerged as a fast-growing export segment. Of the 23 bag producers registered with GMAC by March 2019, just two were in operation prior to the critical juncture, while 14 were established after the granting of preferential market access (GMAC 2019). Indeed, investments in travel goods soared to represent almost half of all projects approved in the first two months of 2019 (PPP 6 Mar 2019).

Reflecting these narratives, some degree of product upgrading is evident in the changing composition of US and EU garment imports from Cambodia. A first observation is that, for the US, four new products entered the top ten garment categories, while the EU saw three newcomers[76]. To assess whether the changing import mix represents a move towards higher-value goods, Figure

[76] 8-digit level

Figure 28. Moving into higher-value products?



Sources: USITC and Eurostat ComExt. All categories within HS codes 61 and 62 are extracted at 8-digit level. Calculated using methodology from Goto (2012). Both series depict 3-year moving averages.

28 depicts the isolated effect of compositional changes (dotted lines) to changes in aggregate unit values[77] (solid lines). As in chapter 5, 3-year moving averages are shown to disentangle long-term trends from annual fluctuations. The graph suggests that the tendency of US buyers to place still lower-value orders has decelerated in recent years, with 2017 seeing a minor positive contribution, the first since the signing of TATA in 1999. In the case of the EU, signs of product upgrading are somewhat stronger, and compositional changes in 2017 and 2018 for the first time since the MFA phase-out had positive effects on aggregate unit values, indicating a tendency for European buyers to place higher-value orders. Hence, there are some signs – supporting the findings from fieldwork – that the gradual specialization in still lower-value commodities that marked the Cambodian garment industry during the 2000s may have been interrupted.

Import statistics, moreover, suggest that product changes differ by end market. In particular, US buyers seem have shifted to non-garment products such as bags and footwear. With the GSP expansion, the share of travel goods in US imports of garment and related goods[78] from Cambodia grew from being non-existent in 2012 to representing 12.7% in 2018. Footwear, likewise, rose from 1.7% to 10.3% over the same period, and GMAC is currently lobbying the US government for trade preferences for this category (PPP 18 Oct 2017). In this way, the share of garments in "garment and related imports" dropped from 98.1% in 2012 to 77.7% in 2017. EU buyers have

[77] Only HS 61 and 62, i.e. excluding footwear and travel goods.
[78] In the following, "garment and related goods" refers to garment (HS 61 and 62), footwear (HS 64) and travel goods (HS 4202).

responded differently. Here, the share of garments and footwear remained stable at, respectively, 82-83% and 15-16%, while travel goods is marginal. Hence, in contrast to their US counterparts, European buyers tend to have placed higher-value orders *within* the garment segment.

Despite some indications of product upgrading, changes are of lesser magnitudes. The impression from fieldwork is that the trajectories of garment factories in Cambodia fall in two groups. Some have successfully made the move away from the simplest garments, established relations with new buyers and entered new markets. Already in October 2013, an article in Cambodia Daily observed that, having clung to basic items such as jeans and t-shirts for more than a decade, factories were now beginning to make progress into more sophisticated items – a trend, which was confirmed by retail giants such as H&M and Marks & Spencer (CD 10 Oct 2013). As argued above, this trend has partially continued. A great number of factories, however, appear to be locked into the lowest segments of the value chain – unable (or unwilling) to make the needed investments, meet the stricter flexibility requirements and finding new buyers.

Disciplinary fixes

With barriers to process and product upgrading – and under continued pressure from stagnant export prices – Cambodian garment factories have shifted a large part of the adjustment burden onto their workers. A recurrent theme in fieldwork interviews was that wage hikes have been accompanied by a parallel acceleration of work intensity. Through a mix of methods, employers have attempted to counter the profitability crisis by squeezing workers harder.

Firstly, most managers described how they had upped production targets in tandem with rising wages. A common narrative was that Cambodian workers are "lazy", "unwilling" and need pressure to be productive. As the manager of a Taiwanese factory remarked: "If we don't push harder, the workers will still do it their old lazy way. We need to push them all the time". The target jump, recently problematized in a report by a Cambodian labour CSO (CENTRAL 2018), was widely mentioned by garment workers. A 27-year-old worker reported that "before the wage increases, every worker was required to produce 600 shirts per day, but now, they have to produce 1000. We have to work faster, and it is harder than before". Likewise, a swimsuit factory worker had seen her target increase from 30 to 50 pieces per hour. Often, incentive systems are based on opaque calculation methods and designed to foster competition between workers. An informant described how some employers make production lines compete among each other, with only the best-performing lines obtaining bonuses.

As a second and related tactic, some factories have sought to "motivate" workers by switching to piece-rate payment, based entirely on the number of items produced. Although piece-rates date back to the beginning of the industry (PPP 9 Aug 1996), some labour CSOs claim that they have resurged after the labour-led turning point. This trend was recognized by some employers and workers. As the manager of a Chinese factory explained: "A few years ago, we did not have any piece-rates, but in order to accommodate the wage hike, we have to make workers produce more". One worker, likewise, reported that her factory had recently adopted piece-rates, because not all workers "spent all their energy". Although piece-rates remain less common than fixed rates, seven of the 20 workers encountered during fieldwork were paid by this method.

A common procedure, some informants explained, is for managers to keep the old piece-rates when a new minimum wage enters into effect, so that workers have to "earn" higher wages entirely through speedier production. Such piece-rate workers, as observed by CENTRAL (2018), "have not experienced any practical pay rise – only an increase in the workload they are expected to complete" (2018). In addition, some factories, in particular subcontractors operating outside the purview of BFC, set the rates so low that workers need to work overtime just to earn the minimum wage, in violation of the labour law. As with target bonuses, calculation methods are often confusing. One manager explained that many factories use "curved" piece-rate systems, so that "bonuses level off, and the factory will never have to pay you more than a certain amount, no matter how much you produce". This practice was familiar to a 21-year-old worker, who told that her factory had first offered a good piece rate – but when she, after a month's hard work, thought she had earnt $400, she received less than $200. With management constantly changing calculation methods through "accountants' tricks", workers at her factory often felt cheated, she explained.

Thirdly, many factories have adjusted working time. Some have extended the workday, sometimes forcing workers to do overtime, when needed to meet peak orders. The majority of workers interviewed had a mandatory workday of eight hours (typically from 7am to 4pm, interrupted by a one-hour break), six times a week. But while most claimed that the two-hour overtime, allowed by the law in "exceptional circumstances", was voluntary in principle, nearly all of them said it was expected practically every day, and that workers accepted it to earn extra money. A 60-hour work week, hence, appeared to be the norm – and some workers reported that overtime until 8.30pm or even 10pm was not unusual. Another common approach, oppositely, was to *limit* overtime, which – according to the law – is paid at rates of 150-200% of normal salaries. For instance, a 24-year old worker reported that her factory had cut away all overtime and bonuses, instead pushing workers to meet higher targets within normal hours, thereby avoiding having to pay more than the legal minimum. Overall, nevertheless, the impression was that most workers were experiencing more rather than less pressure on their working time. This picture is supported by an ILO study, which – based on confidential payroll data for a random sample of Cambodian garment workers – found that the increase in take-home pay between 2016 and 2017 was less due higher hourly wages than to longer workdays. The report also found that nightshifts, overtime and work on public holidays had become more common (ILO 2018a, 3).

Finally, verbal harassment and intimidation appears to have intensified. A common experience by garment workers was that managers and supervisors were "motivating" them to reach higher production targets by "blaming", "complaining" or "yelling" at them. One even mentioned beating and pushing. A worker at a jeans manufacturer told that "with the doubling of targets, they really push us to reach them – and if we don't succeed, the team leaders will yell at us".

Another reported that "now, they are pushing us harder and harder to reach the target. They monitor us closely – and if we don't make it, they blame and shout at us. These days, management doesn't want to waste any time. So yes, we receive more money, but the work situation has become more strict and stressful than before".

In important ways, the intensification of the labour process is leveraged by the widespread use of fixed-duration contracts. Several workers described how the failure to meet targets or accept overtime risk provoking threats of non-renewal. "The problem", one worker noted, "is that if we are not good enough, they can easily fire us". Unions and labour CSOs described this practice as an effective management tool to "encourage" workers to accept high targets, overtime and harsh work environments; one informant compared it to a "pistol against the worker's back". The disciplinary effects were even admitted by a few employers. As an outspoken factory manager remarked: "Most factories today are using only FDCs. Why? It costs a bit more, but it is more convenient to control workers. If you use FDCs, the workers work hard and good – if they want to be extended, they have to perform well. And if workers make trouble, we can easily decide not to renew them".

The combined effect of these disciplinary fixes is that garment work in Cambodia has become more intense, exhausting and stressful since the 2012-2014 turning point. Illustrating this trend, a recently unemployed worker with almost 20 years' experience in the sector explained that in tandem with the wage hikes, her weekly target had jumped from 1,000 to 2,000 pairs of jeans, and management had become stricter, requiring at least two hours' overtime every day and denying requests for days off. For these reasons, her job had become more stressful, and she often felt exhausted, emptied of all energy, and repeatedly fell sick – and in the end, this exhaustion made her quit the job. Although this example is, admittedly, extreme and hardly generalizable, the tendency of work intensification was recognized by workers, unions and labour CSOs alike.

7.4.2 Government: New policies and counter-concessions

Also the government took steps to alleviate the profit squeeze. In addition to bringing wages under control through the crackdown on organized labour, as discussed above, it launched new policy initiatives to promote economic upgrading and provided manufacturers with a number of compensatory measures to offset higher wages. While it remains doubtful whether the policies will materialize beyond paper, the counter-concessions doubtlessly eased the burden on capital.

A new approach to industrial development?

Soon after the slim victory in the 2013 election, the Prime Minister announced that to support the aspiration to reach higher-middle income status by 2030, a new industrial development policy would be formulated, the first since the Industrial Development Action Plan (1998-2003) (Royal Government of Cambodia 2013, 7; Chhair and Ung 2016) . Adopted in March 2015, the resulting Industrial Development Policy (2015-2025) stresses the urgency of embarking on a "new growth strategy that responds to the structural transformation of the domestic economy" (Royal Government of Cambodia 2015, 1). While this goal is motivated by a range of factors, not least the vulnerability to external shocks exposed by the global financial crisis, the policy explicitly cites the upgrading pressure stemming from rising labour costs. As noted, "the wage hike has put pressure on the existing manufacturing industry such as the garment sector to explore all possible ways to increase productivity in order to maintain competitiveness in the global value chain. This factor in itself compels Cambodia to quickly diversify its industry" (2015, 2). The document observes that Cambodia's "manufacturing structure is still underdeveloped", because industries are "low value added and less sophisticated" (2015, 5). Therefore, it aims to attract "new industries or manufacturing that can break into markets, providing high value-added, innovative and highly competitive [products]" and encourage support industries (2015, iii). The overall vision is to transform the industrial structure from "labour-intensive industry to skill-based industry by 2025". To achieve this, the document sets a number of targets, including raising the share of industry in GDP to 30% (from 24.1% in 2013), surpassing the agricultural sector, and increasing the share of non-garment and footwear manufacturing exports to 15% (up from 1% in 2013) (2015, 13–14).

In addition to the new industrial policy, the government seems to have realized that a more strategic and long-term vision for the development of the garment industry is needed. In late 2016, it started developing a sector-specific strategy, according to some fieldwork informants the first genuine attempt to steer the development of the garment industry in its 20-year history (KT 1 Aug 2017). Drafted by a task force under the National Supreme Economic Council, the prime minister's think tank, with the support of ILO, IFC and leading industry experts, the strategy explicitly aims to move the garment industry up the value chain. While the policy was still being prepared at the time of finalizing the thesis, fieldwork interviews revealed some of its content. Instead of the "horizontal" expansion that characterized the previous two decades, the new policy aims at "vertical" development, maintaining the current level of employment, but increasing "value-added" per worker. Specifically, it seeks to alleviate the bottlenecks that prevent garment factories from moving into high-end production, including high production costs (unpredictable wage hikes and high logistics costs), low labour productivity (due to poor skills and inadequate vocational training and the lack of backward linkages (in particular, textile mills).

On paper, these policies mark a turning point in the government's approach to industrial development, from a strategy based on a single labour-intensive industry to one aimed at diversification and the move to higher value-added activities, within and beyond garment and footwear. One informant observed that while the garment industry had, essentially, been left unattended for two decades, the profitability crisis served as an "alarm bell – that we need to do something!". Hence, it can be argued that the shift in capital-labour-state relations brought about by labour-led turning point played a key role in forcing the government to take action. Whether the new policies will be implemented is another matter. A similar strategy was prepared in the context of the MFA phase-out, but never realized (Staritz 2011) – and while the policy was originally expected adopted in the first half of 2018, it remained unfinished as of August 2019.

Balancing concessions

Apart from formulating long-term strategies, which may never be implemented, the government has taken measures to alleviate the profit squeeze on garment manufacturers in the short term. Since the arrival of the industry, the government has been highly responsive to the requests of foreign investors, and GMAC has made intense lobbying efforts since the critical juncture. In October 2017, the industry association issued a letter urging the government to reduce the costs of doing business (PPP 5 Oct 2017). Already the following day, the prime minister responded: the export management fee (required to obtain certificate of origin) was slashed from January 2018, and the advance profit tax, set to re-enter in 2018 after being exempted since 2009, was postponed for another five years (KT 6 Oct 2017; PPP 6 Oct 2017; MEF 2017). The first measure alone saved the industry an estimated $20 million per year, with a corresponding loss in government revenues (PPP 8 Nov 2017). Most recently, Hun Sen in early 2019 announced that Camcontrol, one of the two institutions charging fees on container inspection, would be detached from export processing, relieving manufacturers from another chunk of their cost burden, and bringing the estimated loss in state revenues up to $60 million for 2019 (PPP 14 Jan 2019).

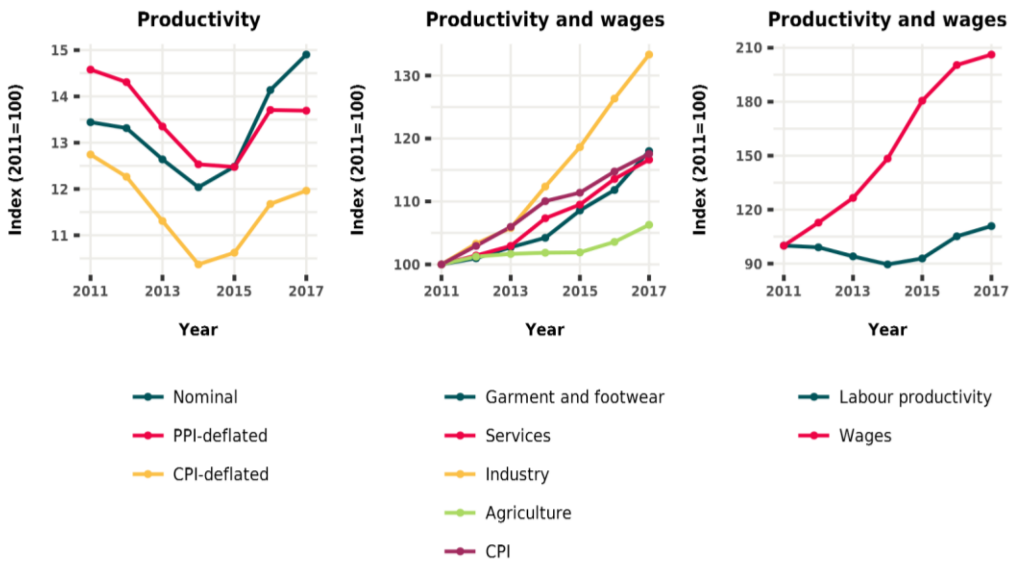
Together, the result of these measures is that, for 2018 and 2019, the Cambodian state is effectively financing a large part – a third would be a rough estimate[79] – of the minimum wage increases. A labour advocate interviewed during fieldwork observed that with these tax-financed counter-concessions to the garment industry – given in parallel to the charm offensive towards workers – the prime minister was essentially "using the government budget to buy votes" in the run-up to the 2018 national election. As before, the distributional conflict between labour and capital cannot be understood in isolation from the political struggle over state control.

7.4.3 Profitability crisis solved?

To what extent have these fixes been successful in raising value-added per worker and easing the profit squeeze? As shown in chapter 5, labour productivity rose quite substantially during the 2000s, but – in large part due to the decoupling of export and consumer prices – failed to keep pace with rising living costs. Caught between deflationary export prices and inflationary living costs, it was argued, manufacturers were caught in a structural profit pinch, giving rise to a structurally shrinking real surplus. Figure 29 depicts the trends in labour productivity, prices and wages for the period explored in this chapter. As seen from the left graph, average value-added per

[79] The minimum wage increases in 2018 and 2019 were $17 and $12, respectively. With around 600,000 workers in export-oriented factories, this makes an additional wage bill of minimum $208.8 million for the two years. With concessions of $20 million in 2018 and $60 million in 2019, this makes a share of 80/208.8 = 38%.

Figure 29. Labour productivity, producer prices and wages, 2011-2017



Note: In left graph, labour productivity is calculated by dividing value-added in garment and footwear (from National Accounts, NIS 2018) by employment (Ministry of Commerce). CPI from World Bank World Development Indicators. In centre graph, the series represent the implicit price deflators used in National Accounts (NIS, 2018) for selected branches of the economy. In right graph, wage data is from the Ministry of Commerce.

worker in garment and footwear declined during the during the strike wave, so that in 2014, labour productivity, whether measured in nominal terms or deflated by producer or consumer prices, was significantly lower than at the 2011 peak. Since 2014, however, there are some signs that the strategies pursued by the industry – as well as the decline in industrial conflict – have broken the downwards trend. From 2014 to 2017 (the latest year available), nominal value-added per worker grew by 24%, the PPI-adjusted series rose by 9%, and the CPI-adjusted series rose by 15%. What is particularly noteworthy here is that a relatively modest increase in *volume*-based labour productivity, at a compound annual rate of 1.4% from 2011-2017 – i.e. substantially lower than the corresponding 4.4% prior to the critical juncture – translated into significantly higher value capture in nominal and CPI-terms. The reason, as shown in the centre graph, is that the producer price index for the garment and footwear sector that is used in Cambodia's national accounts – in contrast to earlier – kept pace with prices for consumers and producers in other sectors.

Although this partly contradicts trade statistics and fieldwork interviews discussed above, and should therefore be interpreted with caution[80], it may suggest that the restructuring of the Cambodian garment and footwear sector may have interrupted the tendency of the shrinking real surplus that characterized the industry prior to the critical juncture. Indeed, if the figures are taken

[80] The apparent rise in the producer price index may also reflect the changing composition of garment and related exports, more specifically the rise of the footwear industry and travel goods.

at face value, 2014-2017 boasts the highest growth in CPI-deflated labour productivity of any three-year period on record. By this standard, it can be argued that with the various productivity-enhancing initiatives adopted in response to the profit squeeze, the Cambodian garment industry for the first time in the post-MFA period entered a period, where factories could pay higher real wages from higher real labour productivity.

The problem facing manufacturers, however, is that wages – as a sort of spring effect after more than a decade of falling real wages – have grown *much* faster than consumer prices. As invariably stressed by factory managers and industry representatives interviewed during fieldwork, it is practically impossible to raise productivity fast enough to recover the doubling of the wage bill. As seen in the right graph, labour productivity has – despite recent improvements – completely failed to keep pace with wage growth. The challenge is well posed by a manager, who – when asked if his factory, with all the measures implemented, had been able to compensate the wage hikes – responded: "Far from it – it is impossible! With everything we have done, productivity has become a little higher, but not very much".

Nevertheless, data shows some tentative signs of recovery. From 2016 to 2017, for the first time since the start of the strike wave, value-added grew faster than the wage bill, and the sector recorded its first increase in gross operating surplus since 2011, up from 8.3% in 2016 to 10.1% in 2017. Coupled with the trends discussed above – the moderation of the long-term specialization in still lower-value products, the rise of travel goods, the tax concessions and, not least, the intensification of work – it seems that the worst of the profitability crisis is over.

7.5 Conclusions

This chapter has explored how the strategies pursued by the ruling party and garment manufacturers since the January 2014 crackdown have strongly influenced the social and economic trajectories of the garment industry in Cambodia. The attempt by the ruling party to consolidate its grip of power by extending patronage to the garment workforce, marking a gravitational shift in its powerbase, led to a series of material concessions to garment workers, in the form of higher wages and improvements in social security. But at the same time, the government – often assisted by garment manufacturers – took parallel measures aimed at undermining the associational power of organized labour. Through the adoption of a new arsenal of repressive laws, including a controversial trade union law pushed by employers, legal harassment against unionists and a continuation of long-standing anti-union tactics, the outcome a grave backlash, leaving the labour movement in "existential crisis". Social upgrading, hence, was found to be a contradictory process: improvements in measurable standards came at the expense of restrictions in enabling rights.

Meanwhile, the profitability crisis forced manufacturers – and more half-heartedly the government – to engage in economic upgrading. The wage-driven profit squeeze incentivized investment in technological and product upgrading in order to raise value capture per worker. But as these initiatives, not least due to the persistence of the price squeeze, were ineffective, a large share of the burden was borne by garment workers in the form of higher production quotas and more intense, exhausting and stressful labour regimes.

The trajectories of the Cambodian garment industry since the critical juncture, analysed in this chapter, illustrates the inherently unstable character of institutions and reminds that concessions won by workers are often fragile, contradictory and short-lived. The deteriorating human rights situation, however, may also harm manufacturers. In February 2019, the EU initiated the process of temporarily suspending Cambodia's trade preferences under the Everything But Arms (EBA) programme, threatening its duty-free access to its largest export market (Reuters 11 Feb 2019). Although manufacturers seem worried, the Prime Minister remains calm. Reflecting a larger geopolitical shift, Hun Sen is, arguably, increasingly turning to China as a less critical ally and investor (KT 29 Apr 2019).

CHAPTER 8

Similar but different: A comparison with neighbouring Vietnam

8.1 Chapter introduction

The previous three chapters have deployed a class-relational GVC perspective to analyse Cambodian garment workers' struggles for social upgrading. This chapter shifts to a between-case mode of analysis, comparing these findings with the garment industry in neighbouring Vietnam. The Vietnamese case is interesting, as it shares a similar social trajectory in a decidedly different political and economic system. After a decade-long wage erosion had made Vietnamese garment workers among the world's lowest-paid, a series of hikes from 2006 onwards brought them significantly closer to a living wage. Following a 26% drop between 1992 and 2005, the minimum wage, in real terms, more than doubled from 2005 to 2018. Together, hence, the two cases represent a most-different systems design, prompting the search for the mechanisms that account for the similar outcomes in otherwise dissimilar cases.

To bring the findings from Cambodia into perspective, and test their validity in a different context, this chapter presents a comparative analysis with the Vietnamese case. The chapter argues that also in Vietnam, the transition to social upgrading was triggered by an outburst of collective action by garment workers; that the successful strike wave took place against the backdrop of similar shifts in workers' structural bargaining power; and that the resultant wage-driven squeeze on profits forced garment manufacturers to engage in economic upgrading. Overall, hence, the chapter corroborates the conclusion that class struggle is a main vehicle of social upgrading, with implications for economic trajectories, in garment GVCs.

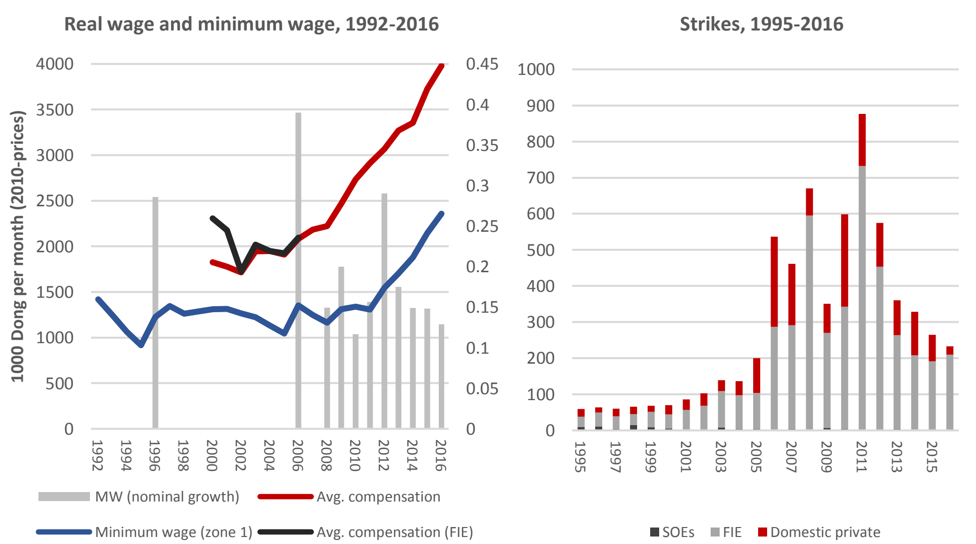
The chapter is organized in three main sections. Section 8.2 examines the role of (garment) workers' resistance in securing material gains and argues that their struggles may, as in Cambodia, be divided into three phases: (1) a phase of social downgrading interrupted by (2) a successful strike wave of unseen scale and intensity, followed by (3) a phase of institutionalized concessions and a cooling of conflict. Section 8.3 discusses underlying changes in workers' structural power and finds that, as in Cambodia, a creeping labour shortage prior to the critical juncture boosted workers' marketplace bargaining power, while a combination of the party-state's socialist legacy and initial fears of political spill-overs made it highly responsive to workers' demands. Section 8.4, next, investigates how garment manufacturers reacted to the wage hikes. Pursuing similar strategies, but much more successfully, the Vietnamese garment industry prevented a profitability crisis as severe as the one in Cambodia. Section 8.5 concludes.

8.2 Workers' collective action as driver of social upgrading

As in Cambodia, Vietnam's integration into the garment GVC was accompanied by a surge of labour unrest; and in this case, too, collective action by the emerging (garment) workforce exerted a decisive influence on social trajectories. A first look into the relationship between labour agency and social upgrading can be gained from Figure 30 below, which compares minimum wages and take-home wages with strike activity (across all sectors). As seen, the social trajectory of Vietnamese garment workers may, analogous to the Cambodian case, be divided into three phases: A phase of social downgrading (until 2005), characterized by infrequent minimum wage adjustments and declining real incomes in the context of comparatively low levels of strike activity; a transitional phase (2006-2012) with substantial wage increases amid unprecedented outbursts of workers' collective action; and a phase of institutionalized social upgrading (2013-2018) with annual minimum wage reviews despite a cooling of strike activity. Before elaborating on each of the phases, the following sections introduce some key features of strikes in Vietnam.

That the escalation of industrial action in Vietnam was related to the integration into manufacturing GVCs is suggested by the fact that the vast majority of strikes took place in the foreign-owned, labour-intensive industries producing for markets in the global North. According to data obtained from the VGCL, 70% of all strikes between 1995 and 2016 occurred in foreign-invested

Figure 30. Minimum wages, average wages and strike activity, Vietnam



Note: In the left graph, data on minimum wages is from MOLISA, average compensation is from the Statistical Yearbooks Vietnam, GSO Vietnam (GSO Vietnam 2010b, 2010a, 2013, 2016, 2018), and average compensation for the foreign-invested garment industry (2000-2006) is from GSO Vietnam (2008). Inflation rates are from World Development Indicators (World Bank 2019). In right graph, data on the number of strikes by ownership is provided by the VGCL during fieldwork.

firms, 28% in domestic-private firms and just 2% in state-owned enterprises. Strikes were, and to some extent remain, geographically concentrated in the key industrial growth areas in the South, with more than 80% taking place in Ho Chi Minh City and the neighbouring provinces, Binh Duong and Dong Nai (Dieu 2012, 25). Characteristically – and interesting in this context – garment and textiles is the most strike-prone of all industries. Of all strikes between 1995 and 2015, a third took place in garment and textile factories (IWTU 2017)[81]. As described by a labour expert interviewed during fieldwork, "garment workers are the pioneers" of collective action in Vietnam.

As the VGCL – as result of Vietnam's communist legacy – is a monopoly union, whose primary purpose is to ensure harmonious industrial relations and mobilize workers behind official doctrines, the build-up of associational power of (garment) workers was largely a process of learning to organize *outside* the formal union structures. Although VGCL-affiliated grassroots unions, according to research by the Institute for Workers and Trade Unions in 2015, are present in 82% of all garment factories, with a membership rate of 69% (IWTU 2017), these figures overestimate the ability of rank-and-file workers to voice their concerns. "Wildcat" strikes have, therefore, become the most effective weapon for workers to express their grievances. Quite tellingly, *not a single* of the more than 6,500 strikes since 1995 has – officially at least – been led by the union, as required by law (Schweisshelm and Chi 2018, 128). With workers' collective action circumventing the only legitimate trade union, industrial relations in Vietnam can perhaps best be understood as what Chen (2010) has, in a Chinese context, called a system of "quadripartite interactions", in which workers and unions act as separate layers (Chen 2010; Anner and Liu 2016, 9).

Although strikes in Vietnam are commonly depicted as spontaneous (Kerkvliet 2010b, 177), research indicates that workers' resistance has become better organized and coordinated over time (Kerkvliet 2010b, 177; Pringle and Clarke 2011, 69). Increasingly, strikes are organized by informal leaders or "underground unions", who, sometimes after failed attempts at negotiating, incite workers to protest (Clarke and Pringle 2009, 92; Chi 2017, 1067). "Waves of walkouts" are typically sparked by work stoppages in better-organized factories and spreads – especially if successful – to nearby factories in "copy-cat" strikes (Kerkvliet 2010b, 178; Chi 2017, 1061). This "contagion effect" is facilitated by the spatial clustering of factories, but also travels through workers' networks, built around cultural identities related to ethnicity, village of origin or place of residence (Tran 2013; Chi 2016). Given these organizational advances, wildcat strikes have evolved into "well-orchestrated, complex and large-scale actions involving thousands of employees" (Van Gramberg et al. 2013, 249). Protests are almost always peaceful and rarely transcend the workplace, and marches to offices of public authorities or foreign embassies are extremely uncommon (Kerkvliet 2010b, 172).

[81] These characteristics are supported by a strike survey conducted by the ILO in 2011 (reported in Chi and van den Broek 2013, 786) and an extensive analysis of strike coverage by Vietnamese labour newspapers by Kerkvliet (2011, 163). Similarly, 29% of the strikes covered by the 2011 strike survey by the ILO occurred in garment and textiles, much higher than in footwear (10%) and electronics (8%)(Kerkvliet 2011, 163; Dieu 2012, 26; see also Anner and Liu 2016, 18)

8.2.1 Phase 1: Resisting social downgrading

The opening up to foreign investment marked the beginning of a period of rising labour unrest in Vietnam. Around 100 strikes broke out between 1989 and 1994, and from the late 1990s, the numbers grew almost annually, from 59 in 1997 to 147 in 2005 (Chan and Nørlund 1998, 182). Workers reacted against the imposition of capitalist employment relations, "authoritarian" management regimes, which – despite higher incomes than alternatives – had worse working conditions, and the "lack of workplace democracy". All these conditions were quite far from what Vietnamese workers were used to in state enterprises prior to the transition (Greenfield 1994, 226; Stromseth 1998, 185). During this phase, strikes typically erupted over employers' violations of the labour law, including payment below the legal minimum, the failure to pay the stipulated overtime premium, and forcing workers to work compulsory overtime, often beyond the legal limit (Greenfield 1994; Stromseth 1998, 187–88; Clarke 2006). Workers' demands, therefore, mainly concerned the violation of their rights, and they rarely took action to demand concessions beyond those stipulated in the law (Clarke 2006; Clarke et al. 2007).

Through collective resistance, Vietnamese workers enjoyed some early victories. As Kerkvliet (2001) points out, the widespread of strike activity, even before it had become legal, was a major pressure on the VGCL to "champion the right to strike" and lobby the National Assembly to include it as a fundamental right in the 1994 Labour Code (2001, 249). In addition, the efforts of the VGCL resulted in limiting overtime to four hours per day, an extra day of paid leave for the Lunar New Year and other gains (Stromseth 1998, 223–24). The union, however, was less successful in pushing for wage hikes. Having opposed the government's decision to lower the minimum wage in the foreign-invested sector from $50 to $35 in 1992, the VGCL in 1994 – reportedly under pressure from factory-level union leaders – initiated talks to return the minimum wage to $50. In March 1996, however, the government, concerned with competitiveness, decided on a smaller increase to $45 (Stromseth 1998, 202–6). After this adjustment, which did not even offset inflation in consumer prices since 1992, the minimum wage remained unchanged for a decade, apart from the shift to Vietnamese Dong in 1999.

As their Cambodian counterparts, hence, Vietnamese workers and their organization could not prevent real incomes from declining. In 2005, the purchasing power of the zone 1 minimum wage was 26% lower than it had been in 1992. Although data on take-home wages are not available prior to 2000, the Statistical Yearbooks indicate that average compensation in garment manufacturing, including overtime, bonuses and employers' social contributions, rose slightly in real terms, by 4.6%, between 2000 and 2005. Interestingly, however, the real wage in 100% foreign-owned garment firms *dropped* by 17% over the period. Such real wage erosion, reportedly, made Vietnamese garment workers among the lowest paid in the world in the mid-2000s (Tran 2007a, 431).

8.2.2 Phase 2: A strike wave as critical juncture

As in Cambodia, the break with social downgrading was triggered by an unprecedented outburst of labour unrest, lasting from 2006 to 2012. At the start of the strike wave, the minimum wage for foreign-invested enterprises had been unchanged since 1999, while the price of food and other consumer items had grown by, respectively, 40% and 26% (VN 27 Sep 2005). In this context, the VGCL had "been half-heartedly lobbying the government to increase the minimum wage for some time" (Pringle and Clarke 2011, 107). In September 2005, MOLISA finally reacted, announcing a wage adjustment planned for 1 January 2006; and in November, the ministry submitted two proposals to the National Assembly: A 40% raise and a 26% raise, mirroring inflation in food prices and general consumer prices. The announcement, after a 30% wage increase for non-FDI workers in October 2005, raised expectations of an approaching wage hike. Yet, as the year drew to a close without any signs of a decision – reportedly, foreign investors lobbied the government to postpone it – workers' discontent erupted into overt resistance (VnExpress 26 Dec 2005; Tran 2007b, 2007a; Pringle and Clarke 2011; Clarke 2006).

The strike wave was sparked on 28 December 2005, as 18,000 workers from Freetrend Industrial, a Taiwanese-owned footwear manufacturer and supplier to Nike and Adidas, located in one of the major export-processing zones on the outskirts of Ho Chi Minh City, refused to enter the factory (Tran 2007a, 435). With discontent over low pay accumulating over several years, the failure of management to deliver on a promise to match the wage raise for state employees made the workers launch a sit-down strike (Tran 2007a). The spontaneously organized work stoppage was quickly resolved, as local authorities and union officials almost immediately arrived at the scene, persuading the Taiwanese manager to meet workers' demands and raise salaries. Though workers returned to work, news about their rapid success "spread like wildfire across this community, encouraging workers in other companies to follow suit" (Chi 2011, 197). The following day, workers in two neighbouring factories downed their tools, and the next day, another six factories were hit. Over a ten-day period, a total of 14 work stoppages involving 42,000 workers took place (Chi 2011, 198). Amid escalating industrial conflict, the Prime Minister on 6 January 2006 issued a decree, implementing the higher of MOLISA's proposals, a 40% minimum wage hike for FDI workers, effective from 1 February (Tran 2007a; Pringle and Clarke 2011, 108)[82].

Rather than calming down workers, the rapid success inspired further action. According to VGCL statistics, 387 strikes took place in 2006, almost a tripling from previous years, and strike numbers continued climbing in 2007, where it reached a temporary peak of 762. After a decline in 2009, most likely as workers became fearful of losing their jobs during the global financial crisis, industrial action rose to an all-time maximum in 2011: 993 strikes in a single year. Hence, while the number of strikes had risen almost annually since the early 1990s, it practically exploded in

[82] According to some estimates, the minimum wage protests at the end of 2005 and first months of 2006 involved as much as 150 separate strikes and 140,000 workers (Pringle and Clarke 2011, 70)

the second half of the 2000s. That the intensity of conflict during the 2006-2012 strike wave is unparalleled in (contemporary) Vietnamese history is indicated by the fact that the number of work stoppages in these seven years by far exceeds that of all other years combined[83].

In terms of workers' demands, scholars have pointed out that the onset of the strike wave marked a transition from protests over employers' non-compliance with the labour law to interest-based claims such as higher wages and bonuses, better meals and other beyond-the-law concessions (Clarke 2006; Clarke et al. 2007, 561)[84]. According to VGCL data, wage demands were central to two-thirds of the strikes that broke out in HCMC in 2010, and 80% in both Dong Nai and Binh Duong; and as much as 82% of the strikes in 2011 concerned workers' interests or a combination of rights and interests[85], while just 18% targeted legal violations (Dieu 2012, 26). As in Cambodia, thus, the erosion of incomes by rising living costs made higher wages a top priority for garment workers (IWTU 2017)[86]. Other typical complaints included verbal and physical abuse by management and supervisors and the length of the working day (Kerkvliet 2011, 165–68)[87].

The strike wave was successful at both the factory floor and the political level. Faced with the pro-labour response of authorities and upper-level unions, employers were often quick to accede to workers' demands (Tran 2007b, 269; Kerkvliet 2010b, 179; Chi 2011). According to the ILO strike study from 2011, 92% of the strikes ended with *all* demands being met by employers (Chi 2017, 1058). Moreover, unheard of in neighbouring Cambodia, Vietnamese workers were, reportedly, rarely punished and often paid in full for the duration of strike (Schweisshelm and Chi 2018, 128)[88]. In addition, interviews with labour experts and MOLISA officials, confirming earlier research, suggest that the pressure from wildcat strikes had a major impact on the regulatory framework, including minimum wages, especially in the early years (Tran 2007a, 2007b, 2013; Cox 2015). After 2006, the escalation of industrial conflict pressured the government to raise the minimum wage annually. As result, at the end of 2012, the nominal minimum wage was more than *three times higher* for workers in foreign-invested enterprises and *six times higher* for workers in domestic enterprises than at the start of the strike wave. Even in the context of high inflation rates, the real value of the minimum wage passed in 2012 was 74% higher than in 2005 (for FDI workers in zone 1) – a remarkable turn-around after a 25% decline since 1999. Although improvements were less impressive for the lower-paid zones, the strike wave generally marked a transition to

[83] During the strike wave, 4,133 strikes occurred (2006-2012). From 1995 to May 2017, minus the 2006-2012 period, 2,400 strikes took place.
[84] The above-mentioned ILO survey found that 32% of the strikes between 2001 and 2011 demanded higher minimum wages, while another 20% concerned bonuses and benefits (Chi 2017, 1058).
[85] 49% concerned interests and 33% a combination of rights and interests.
[86] Workers' grievances over their pay deepened over the years, not least due to high rates of inflation – the two peak years of the strike wave, 2008 and 2011, were marked by unusually high inflation rates of, respectively, 24% and 19%).
[87] A survey of more than 5,000 workers conducted by Better Work Vietnam found that almost nine out of ten garment workers are required to work more than the "normal" 48-hour workweek, while research by the IWTU suggests that an average garment worker has to work 47-60 hours of overtime every month, up to twice the legal limit of 30 hours (IWTU 2017).
[88] In addition, as Clarke and Pringle (2011) observe, the onset of the strike wave, and the attention of authorities on employers' legal violations, had the effect of significantly improving compliance with the labour law (Pringle and Clarke 2011, 70).

rising real wages. The revisions were reflected in the average real take-home wage of garment workers, which, according to GSO data, rose by 60% from 2005 to 2012[89]. Despite rising living costs, the minimum wage narrowed the gap to a living wage, from an all-time low of 26% in 2005 to 39% in 2012[90].

More fundamentally, the pressure from labour unrest acted as a stimulus for institutional change. Soon after the onset of the strike wave, the government initiated a revision of the labour code. After several rounds of consultations, the new law – the most ambitious rewriting since its adoption in 1994 – was passed by the National Assembly in June 2012, with effect from May 2013 (Däubler 2016, 94; Hien 2016, 293; Schweisshelm and Chi 2018, 119). The law entailed a number of material concessions: The duration of maternity leave at full pay was extended from four to six months, granting Vietnamese women the right to (by far) the longest maternity leave in Southeast Asia, and among the longest in the global South (ILO 2017c, 257–68)[91]; the salary of probationary workers was raised from 70% to 85% of regular wages; an extra 20% was added to overtime during night work; and a tenth annual holiday was granted (Hien 2016, 270–71). Moreover, the new law institutionalized a new, tripartite wage-fixing mechanism, and introduced a new minimum wage concept (VN 25 Jun 2012). In contrast to the 1994 labour code, the 2012 version specified that the minimum wage "must ensure the minimum living needs of the employee and his/her family" (2012, art. 91). As Hieu, Phuc and Schweisshelm (2017) observe, and as fieldwork informants confirmed, this formulation makes Vietnam "the only country in Southeast Asia to have an officially binding policy of bringing the minimum wage in accordance with living wage levels" (2017, 10). This provision proved crucial for the subsequent social trajectory of Vietnamese workers, as it gave the VGCL a powerful platform for advocating further minimum wage adjustments, even after the cooling of the strike wave.

Apart from these material gains, the pressure from labour unrest sowed the seeds for union reform, even if extremely slow and incremental. While the Cambodia government responded to the strike wave by restricting the room of manoeuvre of labour, the Vietnamese party-state cautiously expanded it (Chi 2011; Chi and van den Broek 2013; Cox 2015; A. Evans 2018; Schweisshelm and Chi 2018, 127). The fact, as Chi (2011) notes, "that none of the labour strikes were organised by the Party-controlled trade unions threatened the political legitimacy of not only the VGCL but also the prestige of the VCP as the vanguard of the Vietnamese working class" (2011, 267). For reformist factions of the VCP, and increasingly from within the VGCL itself, the weak representational function of workplace unions was seen as the core of the problem[92]. A new

[89] For data sources, see Figure 1.

[90] For FDI workers in zone 1. Based on a back-casting of the WageIndicator.org living wage estimate according to CPI from World Development Indicators (World Bank 2019).

[91] Of all countries outside of Europe and North America, only Iran (39 weeks) has a longer maternity leave, while Georgia, the Gambia and Venezuela share the second-place with Vietnam (26 weeks) (ILO 2017c, 257–68).

[92] Soon after the outbreak of the strike wave, in August 2006, at a meeting attended by ministers and leaders of some of the most strike-ridden provinces, the prime minister urged the VGCL to "promptly propose appropriate measures to improve the quality and effectiveness of enterprise unions" (Chi 2017, 1084)[92]. Likewise, the "Resolution on the Working Class", drafted by the VGCL upon request by the VCP, among other things, called for a reform of the organization of grassroots unions and the introduction of workplace dialogue mechanisms.

direction was most clearly signalled by Decree 22 on "the development of harmonious, stable and progressive labour relations in enterprises", issued by the Politburo in June 2008 (Central Committee of VCP 2008). The directive listed poor worker representation as one of seven causes for wildcat strikes and set out plans to "reinforce, develop and renovate the operation mechanism of labour unions in enterprises, so they could become actual representatives to protect workers' legitimate rights and interests". As Chi (2011) observes, the directive "marked the transition of the government's approach from strike prevention to a more comprehensive reform of the industrial relations system" (2011, 287).

When the revised labour code was passed in 2012, hence, it contained important adjustments. With an entire chapter on "Dialogue in the Workplace, Collective Bargaining and Collective Labour Agreement" (Ch. 5), the 2012 Labour Code is "frequently interpreted as the introduction of 'social dialogue' into the Vietnamese context" (Tran et al. 2017, 407). In what Better Work Vietnam dubbed a "ground-breaking change" (2013, 1), the law introduced compulsory dialogue at the workplace, at least quarterly or upon request, and allowed workers to elect their own representatives alongside union officials (MOLISA 2013). Moreover, it regulated collective bargaining in greater detail, granting upper-level unions the right to represent workers in non-unionized enterprises (Hoang 2014; Schweisshelm and Chi 2018, 134). These initiatives were important, if admittedly minor, steps towards decent work in Vietnam.

8.2.3 Phase 3: Institutionalized concessions – and a *doi moi* for unions?

With the institutionalization of concessions, Vietnamese (garment) workers saw sustained improvements in minimum wages and take-home pay, even as the pressure from wildcat strikes levelled off. Although negotiations in the tripartite National Wage Committee resulted in gradually smaller wage increases – from a 15% hike in 2014 and 14% in 2015 to just 6% in 2018 and 5% in 2019, lower inflation rates meant that lower nominal adjustments translated into higher real wage increases. By 2018, in real terms, the minimum wage for workers in zone 1 had become 60% higher than in 2012, while the real average wage in garment manufacturing had, by 2017, become 39% higher[93]. With consistent above-inflation adjustments, the gap to a living wage was narrowed significantly. From representing an estimated 39% of a living wage in 2012 (up from 26% in 2005), the 2018 minimum wage represented 62%. The VGCL, in its annual assessments of the ability of the minimum wage to cover workers' "minimum living needs", generally reported higher figures – from 55-60% in 2012 to 92% in 2018. On this basis, the global union federation IndustriAll noted in 2015 that "with a systematically rising minimum wage, Vietnam is well on its way to achieving

[93] No data yet available for 2018

a living wage" (IndustriAll 2015). As result, garment workers' average take-home pay, which includes overtime, bonuses and employers' social contributions, for the first time exceeded a living wage in 2016, up from less than 50% prior to the strike wave.

As in Cambodia, the intensity of industrial action in the Vietnamese garment industry (and economy as a whole) decreased after the critical juncture. From almost 1,000 strikes at the apex in 2011 and 600 in 2012, the number of strikes fell to around 300 per year from 2014 onwards, reaching to 214 in 2018, the lowest since 2005 (Dantri 14 Mar 2019). According to official sources, a key reason for the cooldown is that the VGCL – confronted with the challenge to its legitimacy – has taken significant steps to improve its representational function. For one thing, the national union made considerable progress in organizing outside the state sector. Of the 2.1 million new members recruited between 2013 and 2018, 2.0 million were in the private sector, which counted 6 of the 10 million members in 2018, up from a million in 2003. Results were particularly impressive in foreign-invested enterprises, where membership grew by 77%, compared to 30% in the domestic-private sector and 2% in the state sector[94]. Moreover, the VGCL scaled up its efforts at collective bargaining. As Schweisshelm and Chi (2018) observe, there are "signs that the merely formal character of collective bargaining agreements is slowly and gradually changing" (Schweisshelm and Chi 2018, 135). Finally, the confederation took initiatives to strengthen its links to rank-and-file workers (Khanh 2014, 604–5; Schweisshelm et al. 2017, 10–11; Schweisshelm and Chi 2018, 133). Most notably, at its 11th Congress in 2013, a "bottom-up, worker-centred approach" was introduced as the primary vehicle of organizing workplaces, permitting grass-roots unions to be set up by workers *themselves* (VGCL 2013). During fieldwork, a VGCL official reported that, as of November 2017, 1,010 workplace unions, counting 97,000 workers, had been established under the new modality. Impressed by these initiatives, the ILO country director, Chang-Hee Lee, in June 2016 remarked that "it's a signal that the Doi Moi of trade union is around the corner" (ILO 2016b). While these were certainly encouraging steps from the perspective of decent work and social dialogue, the fundamental issue was left untouched – the new laws and union statutes reaffirmed the subservience of the VGCL to the party-state and did little to change the monopoly, requiring unions at all level to authorize and affiliate with the VGCL (Khanh 2014, 591).

The latest round of reform talks unfolded as part of negotiations of free trade agreements (FTAs) with the US (Trans-Pacific Partnership, TPP) and the EU (EU-Vietnam Free Trade Agreement, EVFTA). Vietnam joined the former negotiations in 2010, which was concluded in October 2015 and signed in February 2016. Negotiations over the latter began in June 2012 and concluded in December 2015. Although the TPP was scrapped with President Trump's withdrawal from the deal (and replaced by an agreement without the US), while the EVFTA remains to be approved by the European Parliament, both agreements contained labour clauses that added pressure on the Vietnamese party-state to reform its union system. In particular, the FTAs linked preferential

[94] Figures provided by the VGCL at fieldwork

market access to Vietnam's ratification of the three outstanding ILO core conventions, including No. 87 on "Freedom of Association and Protection of the Right to Organise" and No. 98 on the "Right to Organize and to Bargain Collectively" (Schweisshelm and Chi 2018, 110). If implemented, these commitments would represent a paradigm shift permitting workers to form and join unions of their own choosing (Chi 2017, 165–66). While many observers doubted that the VCP would be willing to loosen its grip on associational freedoms, the fact that Vietnam continued its reform path after the US withdrawal was by others seen as a sign that the impetus for union reform originated from within the country itself (Chi 2017; Tran et al. 2017; Chan 2018; Schweisshelm and Chi 2018). Chi (2017) suggests that "the need to reform the labour institutions and the union system had emerged from the internal demand, expressed through thousands of wildcat strikes, rather than from the external pressure" (2017, 1067). Along similar lines, Chan (2018) maintains that the trade negotiations "should not be seen as the root cause, but as a trigger of Vietnam's decision to reform its industrial relations system" (2018, 94). Soon after the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), signed by Vietnam and ten other countries, entered into force in January 2019, the Prime Minister issued a roadmap for the implementation of its labour provisions, scheduling the ratification of the remaining ILO fundamental conventions – 98, 105 and 87 – for 2019, 2020 and 2023, respectively (. The roadmap also included a revision of the 2012 labour code, a task that was already begun in 2016. In June, Vietnam ratified Convention 98, and a new labour code is expected to pass the National Assembly in November. While *some* kind of union reform is clearly in the pipeline, however, it remains unclear how far the VCP is willing to go in allowing independent unions to operate on equal footing with the VGCL. Whether a "doi moi for trade unions is around the corner", as foreseen by the ILO director, remains an open question for now.

8.3 Workers' structural bargaining power

As with Cambodia, it may be asked how the successful strike wave is related to underlying structural shifts in workers' bargaining power vis-à-vis capital and the state. These questions are examined in the next section. The first section discusses how processes similar to the Cambodian case led to a mounting labour shortage prior to the critical juncture, while the second section discusses the strike wave in view of workers' capacity to extract concessions from the party-state.

8.3.1 Marketplace bargaining power

Upon its integration into the garment GVC, Vietnam was – as typical of garment producers – a highly labour abundant economy. However, a number of processes that mirror those found in the Cambodian case led to a tightening labour market prior to and during the strike wave, creating a surge in workers' structural bargaining power.

From a deep labour surplus…

As in Cambodia, Vietnam's integration into the garment GVC took place in the context of a sizeable labour surplus. In the mid-1990s, according to LFS data[95], more than 70% of the employed population worked in agriculture; just 15% were wage workers, a third were own-account workers and almost half were contributing family members; and for women, the latter represented more than 60%. Throughout the decade, average labour productivity[96] in agriculture remained 6-7 times lower than in industry – and although it improved (at an average rate of 4.3% from 1991-2000), it lagged far behind industrial productivity (growing at an annual 7.3%). The result was a widening gap between rural and urban areas (Le and Booth 2014). Indicative of this, the rural poverty rate – despite significant improvements – remained high, declining from 66% in 1993 to 45% in 1998 and 36% in 2002, while urban poverty was almost eradicated over the same period, the headcount ratio falling from 25% in 1993 to 9% in 1998 and 7% in 2002[97].

Unlike in Cambodia, the labour surplus was not aggravated by demographic trends. As Vietnam had experienced declining fertility since the 1960s, the workforce entered a phase of relative ageing already in the mid-1980s, accelerating over the next decades (Statista 2019). Nevertheless, upon the arrival of the export-oriented garment industry, the workforce remained very young. In the mid-1990s, according to ILO-modelled estimates, 15-29 year-olds represented almost half – and although the *share* of this group consistently fell, it grew in *absolute* terms, by 2.2 million from 1990 to 2005[98]. Yet, the "industrial reserve army" was deepened by processes peculiar to Vietnam's transition from plan to market economy. With the *Doi Moi* restructuring of state and collective enterprises, workers in great numbers were thrown onto the labour market. In the first shake-out in 1990-1991, 553,000 women were laid off, corresponding to 20% of total female wage employment in 1992-1993 (Packard 2006, 21). In a second round, in 2000-2002, the number of SOEs dropped by 43%, while employment fell by more than 400,000 (Collins 2005, 181). Many redundant workers were consigned to the informal sector and/or became under- or unemployed (Collins 2005, 181; Beresford 2008, 231). In addition, the labour market had to absorb half a million demobilized soldiers, a condition of the peace agreement in Cambodia, and the repatriation of a million workers from Eastern Europe (Nørlund and Chan 1998, 178). These processes contributed to a rise in unemployment and underemployment in the 1990s. The unemployment rate for urban areas doubled from 3.4% in 1993 to 7.4% in 1999[99], but according to some sources, 20% was a more realistic figure (Pike 1994, 65; Nørlund and Chan 1998, 178). Underemployment, in turn, peaked at 17.3% in 1997, and – after a decline – rose again in the early 2000s.

[95] Data obtained from ILOSTAT (ILO 2019).

[96] Labour productivity estimated by dividing value-added in agriculture, accessed via UN Data (UN Data 2019), by estimated employment in agriculture, ILO-modelled estimates accessed via ILOSTAT (ILO 2019).

[97] Data from GSO Vietnam, "general poverty rate by residence and by region" (GSO Vietnam 2019)

[98] Data from ILOSTAT, "labour force by sex and age" (ILO 2019)

[99] Data from Phan (2009) and GSO Vietnam, "Unemployment and underemployment rate of labour force at working age by region and by sex" (GSO Vietnam 2019)

Like in Cambodia, the gap in living standards fuelled migration from rural to urban areas and from North/Central Vietnam to the industrial hubs in the South (Dang 2004, 191). As the expanding industrial sector absorbed most local labour, it increasingly had to rely on attracting migrant labour (C.-H. Lee 2006a, 4). According to one estimate, in the early 2000s, more than half of the two million workers in HCMC were migrants, while in Binh Duong and Dong Nai the share was 70-80% (Collins 2005, 182; Clarke et al. 2007, 564). Not least the garment industry tapped into the pool of rural surplus labour. A 2001 survey of 1,200 workers found that migrants represented 90% of employment in private garment firms, and 78% in SOEs (Kabeer and Anh 2006)[100].

Employment in the garment industry was, as in Cambodia, attractive to most alternatives. Throughout the 1990s, the minimum wage for foreign-owned factories remained 2-3 times higher than average value-added in agriculture; and calculations based on Statistic Yearbooks[101] suggest that, in 2000, the average compensation of garment workers was a third higher than of agricultural wage workers (and two-thirds higher in the foreign-invested sector). Although the average garment wage was lower than in other manufacturing jobs, it was at least equal to, or higher than, other branches with high female participation, including textiles, leather and footwear, furniture and food processing. Illustrating the relative attractiveness of the industry, an early analysis, based on the first two rounds of the Vietnam Living Standards Survey (1992/93 and 1997/98), found that households with a member employed in foreign-invested garment and textile enterprises had a 48% higher expenditure per member than the average, with the result that their poverty incidence was less than half of the general population (Glewwe 2000).

As result of these processes, a substantial labour excess existed in rural areas, ready to migrate to improve livelihoods. As in Cambodia – and as envisaged by Lewis – this not only meant that the garment industry could expand without facing labour shortages. From the perspective of workers' bargaining power, it effectively tilted the balance of class forces towards capital, dissuading workers from protesting and undermining the efforts of those who did (Dang 2004, 191). As in Cambodia, however, many of these factors reversed to produce labour shortages in the main industrial centres prior to the successful strike wave.

…to tightening labour markets

Like in Cambodia, the path-breaking strikes played out in context of tightening labour markets, giving a boost to workers' marketplace bargaining power[102]. A number of factors, mirroring the processes observed in chapter 6, contributed to this. For one thing, much of the surplus labour was sucked up by the expansion of industry. The share of the female workforce doing unpaid

[100] The survey also found that for half the garment workers, factory work was their first employment experience – 18% had previously been unpaid family workers, another 18% casual workers and 10% self-employed. Examining workers' motivation for taking up work garment jobs, the most common reasons to be that alternatives at home were limited, provided low returns or were physically hard (farming), that it allowed workers to become self-reliant or contribute to family income, and that they liked the work.
[101] GSO Vietnam (GSO Vietnam 2010b, 2010a, 2013, 2016, 2018)
[102] This sections draws on the same data sources as the previous

family work was halved, from 64% in 1995 to 32% in 2005, declining further to 24% in 2011, while – in parallel – the share of female wage-earners grew from 12% in 1995 to 24% in 2005 and 28% in 2011. Likewise, from its 7.4% peak in 1999, the urban unemployment rate declined prior to the strike wave, to 5.3% in 2005 and 3.6% in 2011, whereas the rural underemployment rate was cut in half, from its 17.3% peak in 1997 to 8.1% in 2005 and 3.0% in 2011. Moreover, the ageing of the labour force meant that the expansion of the pool of workers at ages typically recruited to labour-intensive industries levelled off. While, according to calculations based on ILO labour force estimates, the pool of female workers (aged 15-29 years) grew by 0.7% per year between 1995 and 2005, it slowed down to 0.12% per year during the strike wave (2005-2011). As in neighbouring Cambodia, although less markedly, hence, demographic trends caused to a deceleration of the supply of young, female labour. The demographic transition is best illustrated by the fact that it took the full duration of the strike wave for the pool of female workers (15-29) to expand as much as *in a single year*, on average, in the decade prior to the critical juncture.

Notable as they are, however, these structural and demographic changes were in themselves insufficient in producing system-wide labour shortages – and the Vietnamese labour market was by the mid-2000s characterized by high rural underemployment (9.3% in 2005) and urban unemployment (5.3%). But as the tightening labour market combined with the minimum wage freeze in the foreign-invested sector, discussed above, industries like garments became increasingly unable to attract workers. Official statistics suggest that while the average garment worker in 2000 earned 13% less than the average across the enterprise sector, by 2005, the gap had grown to 30%. The same pattern emerges, if compared to other manufacturing branches with high female participation. From being equal to food processing, textiles and furniture in 2000, for instance, the garment wage had by 2005 become 18%, 5% and 10% lower. From the mid-2000s, moreover, electronics emerged as a better-paid alternative[103]. Interestingly, the deterioration applies much more strongly to foreign-owned garment enterprises[104]. Whereas, in 2000, the average garment wage in the FDI sector was a third higher than in the non-FDI sector, the "FDI premium" had entirely disappeared in 2005. These figures suggest that, as in Cambodia, stagnant wages rendered the export-oriented garment industry increasingly unattractive to alternatives in the run-up to the critical juncture (K. Goto et al. 2011, 370).

Equally important, like in Cambodia, the turning point took place against the backdrop of a catch-up of agricultural productivity and incomes. Labour productivity in agriculture accelerated in the first half of the 2000s, and as result, the poverty rate in rural areas fell from 45% in 1998 to 18% in 2006, while urban poverty fell only modestly from 9% to 8%[105]. Reflecting these changes, average value-added per person engaged in agriculture closed the gap to the minimum wage in the FDI sector, from being 39% lower in 2000 to 3% higher in 2005. Similarly, the compensation of

[103] In 2005, the 46,000 workers in "computer, electronic and optical products" (58 % female), earned on average 18% more than in garment manufacturing; a decade later, the number of jobs in the in the industry had grown to 612,300 (77% female), with average wages 29% higher.
[104] Data on foreign-invested garment enterprises is available for the period 2000-2006 in the publication….
[105] Excel-sheet, folder: marketplace bargaining power…

agricultural wage workers grew from being 24% lower than the garment wage in 2000 to being 47% higher five years later. These improvements, arguably, made the push out of agriculture less urgent. Newspaper reports suggest that workers even quit their jobs in industrial zones to take up agricultural work in their home provinces at the peak of the strike wave (VN 18 Mar 2010).

All these factors contributed to labour shortages in the main industrial hubs of Vietnam (C.-H. Lee 2006a, 4; Clarke 2006, 351; K. Goto et al. 2011, 370). Factories increasingly had problems recruiting and retaining workers, provoking a "flood of migrant workers away from the southern economic hub", as reported by a local newspaper (VN 18 Apr 2006)[106]. The dearth of workers was immediately felt by employers. In October 2005, the director of a HCMC footwear company complained that while it used to take two days to get 50 applicants, he was now unable to fill empty slots (VN 14 Oct 2005). In February 2006, 100,000 additional workers were reportedly needed in the export-processing zones and industrial parks of HCMC, while neighbouring Binh Duong and Dong Nai were 86,000 short (VN 10 Feb 2006). The lack of manpower was confirmed by a national survey by MOLISA in 2006, which found that a quarter of all foreign-invested enterprises were "in dire need of manual labourers" (VN 21 Apr 2006).

The sudden shortage of workers in industrial centres shifted the balance of power between labour and capital, in the garment industry and beyond, at the time of the turning point (C.-H. Lee 2006a, 5). The reversal was neatly captured by the director of the HCMC industrial parks board, who observed that "it used to be that workers needed employers; now, it is the employers who need the workers" (VOA News 1 Nov 2009). Factories now had to compete for workers, quick to exploit even minor gaps in conditions, causing upwards pressure on wages and benefits. The attempt by some factories to escape the shortages by relocating production to lower-wage areas (discussed below) has only exacerbated this dynamic in urban areas.

As shown, the evolving labour market situation in the Vietnamese case bears strong similarities with Cambodia. Firstly, the strike wave was leveraged by growing labour shortages in key industrial hubs, driven by demographic trends, structural changes and the relative deterioration in garment jobs vis-à-vis alternatives, whether in agriculture or in manufacturing. Secondly, the transition from labour surplus to shortage was accelerated by the tendency of garment producers, in particular foreign-owned ones, to pay declining real wages, pushing incomes below reproduction costs. In this way, the structural shifts in workers' marketplace bargaining power, underpinning successful strike waves in both cases, can be seen as rooted in local labour markets, but exacerbated by GVC dynamics. The contradiction between super-exploitation in exporting garment factories and rising living costs in the social formations, in which workers reproduce themselves, arguably makes production for the garment GVCs a site of particularly explosive class dynamics.

[106] Heaps of workers in HCMC, Binh Duong and Dong Nai left their jobs, returning to Central Vietnam to work in the growing number of regional industrial parks, attracted by lower living costs, the ability to accumulate savings, and the proximity to relatives, and deterred by the increasingly poor wages in foreign-invested garment factories (VN 15 Oct 2005, 18 Apr 2006).

8.3.2 Regime-disruptive power

If the struggles of Vietnamese and Cambodian garment workers were leveraged by similar underlying shifts in marketplace bargaining power, they differ substantially in the role of the state in capital-labour relations. As clear from previous chapters, the Cambodian state, in the hands of Hun Sen and the CPP, has tended towards a hands-off approach, often colluded with foreign investors and not shied away from violently repressing strikes; and it only changed its ways when a regime-shattering election and the rise of a popular worker-opposition alliance became a threat to its continued reign. In Vietnam, in contrast, the party-state was typically quick to side with strikers and frequently played an active role in pushing employers to meet workers' demands. These differences in state approaches are perhaps best illustrated by the fact that whereas global brands played a lead role in pushing the Cambodian government for concessions, it has often been the Vietnamese state that pressured brand to demand improvements of their suppliers (Chan 2011, 241–42). As in Cambodia, the role of the Vietnamese state in garment workers' struggles for social upgrading can be understood in light of the historically-conditioned configuration of state-society relations, in general, and state-labour relations, in particular.

Vietnam: A responsive-repressive state?

As Kerkvliet (2001) has argued, Vietnam scholars have interpreted the country's state-society relations in three ways, each with their merits and limitations. Often, Vietnam is described as either a *dominating state* – a form of "mono-organizational socialism" with "little scope for the organization of activity independent of the party-led command structures" (Thayer 1992); or as a case of *state corporatism*, with the state allowing some degree of societal involvement through "mass organizations" established and run by itself. While both of these views suggest a Vietnamese state that is rather immune to societal pressures, Kerkvliet (2001) notes that they "attribute far too much power to the state and too little to society" (2001, 244). He and others have pointed to numerous cases, in which Vietnamese authorities responded to, and often accommodated rather than suppressed, outside social forces. Examples include the moderation of harsh land reforms after violent protests in the 1950s (Koh 2006, 3); the gradual acceptance by Hanoi authorities of informal, private housing, which mushroomed in the 1980s, as state housing failed to keep up with urbanization (Koh 2006, 223–37; Kerkvliet 2010a, 37); improvements in government transparency and citizen participation following the 1997 Thai Binh uprising (Kerkvliet 2010a, 37; Wells-Dang 2010, 100–103); and the 2007 decision of Hanoi authorities, after public outrage, to withdraw an investment approval to turn the capital's largest public park into a private Disneyland-style theme park (Wells-Dang 2010, 97–99). In fact, some scholars have suggested that *doi moi* itself was not a top-down process, but resulted from spontaneous reform-pressure from below, as "fence-breaking" by farmers, collectives, SOE and even local authorities and party leaders forced national authorities to initiate reforms, to adjust laws to reality (Fforde and Vylder 1996; Beresford and Dang

2000; Dang 2004; Masina 2006). Against this backdrop, Kerkvliet offers a third interpretation: the "dialogical state" (2001, 244–45). Along similar lines, Beresford (1989) observed that unlike most socialist systems, the VCP recognises "independent sources of power" (1989, 115–19). Koh (2006) prefers the concept of the "accommodating state", viewing Vietnamese "state-society relations as being marked by tolerance, responsiveness and mutual influence", as long as it does not challenge the core primacy of the VCP (2006, 3). In turn, Dixon (2004) argues that while the VCP was always more polycentric than its Soviet and Chinese counterparts, the party has since *doi moi* become "extremely sensitive to protest and pressure, wishing to be seen to respond" (Dixon 2004, 23).

This third interpretation of state-society relations offers a clue to why Vietnamese authorities have, generally, been supportive of striking workers. It brings attention to the ways in which Vietnam, even if an authoritarian one-party system, has "mass-regarding" and "quasi-democratic" traits, as Womack claimed (1987). Testifying to this "dialogical" approach, the VCP accepts public disagreement with the VGCL, and local media has been allowed to, more or less intensively, report on wildcat strikes and bash foreign investors. Indeed, scholars have argued that the sympathetic news coverage by the labour press was instrumental during the strike wave, as it added public pressure on all layers of the party-state to intervene in disputes, and inspired workers in other factories to engage in collective action (Tran 2007b, 275, 2007a, 439–41; Kerkvliet 2010b, 187)[107].

There are limits to the VCP's tolerance, though. Any challenge of the party-state itself, or demands for fundamental political reforms, is fervently suppressed. Pro-democracy groups, intellectuals, journalists and religious leaders, who are deemed threats to the regime itself, are habitually stifled (Thayer 2010; Kerkvliet 2014, 2019). For instance, the party-state has repressed any attempt to establish independent worker organizations outside the VGCL, including the United Workers-Farmers Association (UWFA) and the Independent Trade Union of Vietnam (ITUV), both announced in October 2006 (Kerkvliet 2010b). To capture the span in the reactions, Kerkvliet has recently proposed another term, the "responsive-repressive party-state" (2010a, 2019).

"A workers' state cannot ignore workers" – ideology and legitimacy

While this third interpretation of state-society relations provides a clue to why Vietnamese authorities have generally supported strikers, fieldwork pointed to another set of reasons. The first is the ongoing relevance of socialist ideology. Ministry officials and labour experts interviewed in Vietnam emphasized that socialist ideas continue to shape the thinking of authorities and policy-makers. Public reactions to strikes testify to the fact that Marxist tenets remain commonplace, and authorities were quick to place the blame on capitalists, especially foreign investors. A common narrative during the strike wave, as one informant recalled, was that "although the strikes are illegal, workers' demands are justifiable and legitimate" (see also Tran 2007a, 440).

[107] More recently, it seems that the labour newspapers have, most likely instructed from above, refrained from reporting on strike outcomes in order to not instigate workers in other enterprises (Van Gramberg et al. 2013, 263)

If the persistence of socialist worldviews informed a generally pro-labour stance of authorities, however, it also compelled them to react for another reason: to maintain its political legitimacy. As a labour expert explained, “the VCP sees it as a core responsibility to respond to workers’ demands – as a matter of its legitimacy, it has to support workers, at least in public”. According to the 1992 constitution, the Vietnamese state is based on a “triple alliance” of workers, peasants and intellectuals, led by the VCP, “the vanguard of the Vietnamese working class”. Even if loyalty to socialist ideas may be waning, these ideological foundations oblige the VCP to react – “a workers’ state cannot ignore workers without losing legitimacy”, as an informant put it. This has, arguably, become more important with the exhaustion of the VCP’s traditional sources of legitimacy – its role in the fight for national independence and unification, mass confidence in socialist ideology and the charismatic leadership of Ho Chi Minh – and the emergence of what Hiep (2012) calls “performance-based” legitimacy. Under these circumstances, Hiep argues, sustained improvements in living standards, especially for the workers that the VCP claims to represent, has become the key source of legitimacy for the party-state (2012, 158). For both of these reasons, the VCP has been especially responsive to grassroots pressure “if coming from workers and peasants, the constituencies on which the Communist Party was built and on which it continues to rely for support and approval” (Kerkvliet 2010a, 36).

These ideological differences may be seen as a key reason for the different positioning of the Vietnamese and Cambodian states in capital-labour relations. While the CPP shed its Marxist-Leninist principles to embrace a pragmatic approach without any overarching ideology, officially embracing liberal democracy but primarily guided by regime survival (Slocomb 2006, 394), the VCP embarked on the path of a socialist-oriented market economy. The legitimacy of this state-building project, arguably, rests on delivering sustained improvements in the living standards of the working class. As a ministry official observed, Vietnamese authorities, during the strike wave, “were very much on workers’ side” – “in many cases, they acted like a workers’ representative, but with state power” (see also Chan 2011, 241). Rather than viewing the working class as part of the political opposition, as the CPP did in Cambodia, the Vietnamese leadership considered it a core constituency and source of political legitimacy.

The threat of political spill-overs

While the responsiveness of the Vietnamese party-state to workers’ demands was informed by its ideological legacy, it appears equally driven by a fear that unrest would spiral out of control, and perhaps evolve into political protests. Some informants described how the outbreak of strikes in 2005-2006 was perplexing to the Vietnamese government, whose overriding concern was to maintain political stability and prevent the strikes from spilling into the streets. In the early years of the strike wave, therefore, local authorities *immediately* intervened to restore social order, pushing employers to meet workers’ demands. Although am early police investigation, ordered by the Ministry of Public Security, found that workers’ demands were not politically motivated

(Pringle and Clarke 2011, 75), authorities continued to promptly support strikers to confine the protests to the economic domain. Once the news of the strike was out, an official from the local labour department (DOLISA) would quickly arrive at the scene, accompanied by a representative from an upper-level union. This "strike taskforce" investigated the dispute, held meetings with workers and put together a list of demands to present to management – and typically, it would persuade the employer to make concessions (Kerkvliet 2010b, 172; Chan 2011; Pringle and Clarke 2011, 69). In this way, wildcat strikes played the role of forcing the VGCL and the party-state, in particular MOLISA, into a "firefighting role", with the main purpose of ending disputes as quickly as possible, curtailing further collective action and preventing protests from spilling into the streets (Clarke and Pringle 2009, 92–93). As one fieldwork informant described, strikes served as a constant reminder to the VGCL and the party-state of their obligations to Vietnamese workers.

As in Cambodia, hence, the Vietnamese authorities were driven by a fear that workers' protests would transform into wider contestations of the political regime. In this way, the capacity of workers, through their collective action, to disrupt the political order – their regime-disruptive power – was a major leverage in extracting concessions from the state. The timing of the strike wave was important in a dual sense. Firstly, the relative inexperience of Vietnamese authorities in dealing with industrial conflict under a capitalist market economy made it wary of a possible political spill-overs. Secondly, the mass strikes erupted just before Vietnam's accession to the WTO (in 2007). In this context, authorities – not least the provincial administrations in the industrialized provinces of the South – were afraid that labour unrest would scare away foreign investors. There are signs, however, that the VCP has gradually developed a more relaxed, hands-off approach. As described by a ministry official, while authorities used to act promptly, "today, when they hear about a strike, they tend to say: 'okay, let them negotiate' – it is only in very special cases, with the risk of becoming uncontrollable, that the government intervenes". With this shift, the VCP's sensitivity to wildcat strikes has, arguably, faded.

8.4 Economic trajectory

In Cambodia, the disruptions brought about by workers' struggles against super-exploitation were found to have implications for the subsequent economic trajectories of the garment industry. In Vietnam, too, the shift from stagnating to rising labour costs – more than a tripling in nominal terms from 2005 to 2012 – exerted pressure on garment manufacturers, and the government, to engage in industrial upgrading. Compared to their Cambodian counterparts, however, Vietnamese manufacturers were more successful in accommodating wage increases by raising value capture per worker. The following sections examine the economic development of the garment industry in Vietnam. Section 8.4.1 addresses trends in profits and productivity, while section 8.4.2 discusses the extent to which economic upgrading was achieved.

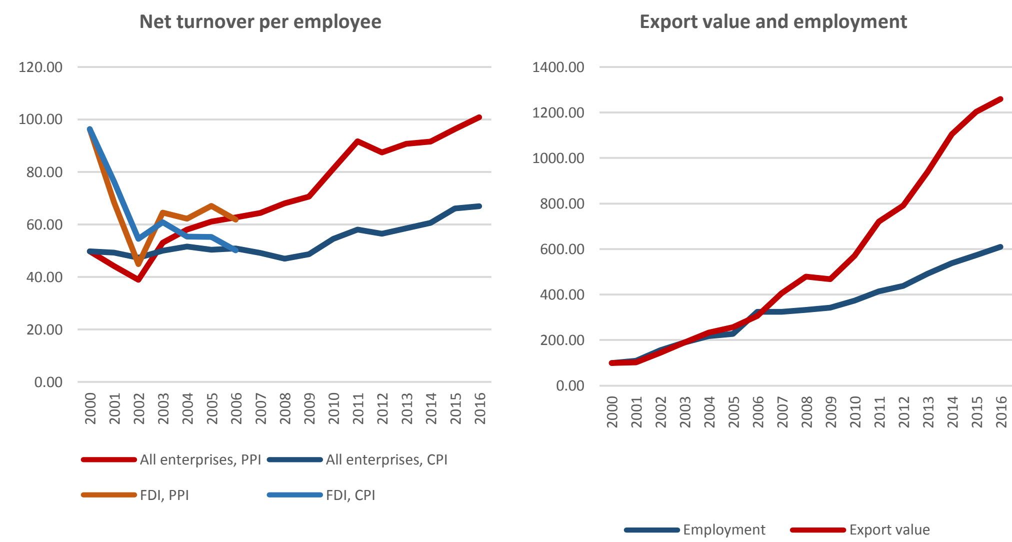
8.4.1 Profits and productivity

All industry informants interviewed during fieldwork, including representatives from the Vietnam Textile and Apparel Association (VITAS) and five factory managers, recognized that the profitability pressure from rising wage had acted as an upgrading push. A VITAS representative observed that "the wage hikes meant that garment makers had to change the way they manage factories, to invest in technology and increase productivity". Along similar lines, the manager of a now-equitized SOE reported that "with the rising wages – and buyers demanding lower prices – we experienced a lot of investment pressure". That rising labour costs took their toll on profitability is also discernible in sector-level statistics. While aggregate profit rates (before tax) in "manufacturing of wearing apparel", reported in the Statistical Yearbooks, averaged 1.81% from 2000 to 2005[108], they dropped to an average of 0.78% for the years 2006-2009[109]. Although the global financial crisis definitely played its part in this, the separate impact of minimum wage increases is hinted by the fact that the industry-wide profit rate fell from 1.80% in 2005 to just 0.61% in 2006, at the onset of the strike wave. Indeed, disaggregated data on the foreign-invested garment sector, subject to the record wage hike in February 2006, show that aggregate profit rates dropped from 1.77% in the period 2000-2005 to -1.0% in 2006[110]. Corroborating this, a recent report by the Vietnam Institute for Economic and Policy Research (VEPR), based on economic census data for the period 2004-2015, found a negative effect of minimum wage increases on profits across enterprises in Vietnam (VEPR 2018).

Compared to the Cambodian case, however, the Vietnamese garment industry was more successful in accommodating social upgrading by moving up the value chain. A first indication of this can be seen from Figure 31, which plots the trend in labour productivity, here measured as net turnover per employee, from 2000 to 2016[111]. As clear, garment manufacturers recorded positive real labour productivity growth, deflated by producer prices, almost every year over the period. As in Cambodia, though, prior to the path-breaking strike wave, slow productivity growth and high inflation rates meant that labour productivity failed to keep pace with consumer prices, ending in 2008 5% below its 2000-level in CPI-adjusted terms. Notably, separate statistics on foreign-invested garment enterprises suggest that their labour productivity *declined* from 2000 to 2006, so that – from being *twice* as productive in 2000 – the gap to domestic-private and state-owned enterprises had been entirely closed by 2006[112]. These figures indicate that, as in Cambodia, the cheap labour-phase in Vietnam was characterized by a relative lack of economic upgrading, especially – and perhaps mainly – in the foreign-invested sector.

[108] It should be noted that as the measure of profitability reported here differs from the one discussed in the Cambodian case, the magnitudes are hardly comparable.
[109] Data from GSO Vietnam (2010a, 2010b, 2013)
[110] Data on the foreign-owned garment sector is only available from 2000 to 2006, in GSO Vietnam (2008).
[111] Vietnamese authorities report no data on value-added for the garment industry, and therefore, labour productivity is here calculated as net turnover per employee in "wearing apparel". Note that this indicator differs from the one used in chapter 3 and the chapters on Cambodia.
[112] This pattern, most likely, reflects the sudden rush-in of foreign investors to serve the more price sensitive US market, and the consequent low-value reorientation of the sector.

Figure 31. Labour productivity in Vietnamese garment manufacturing, 2000-2016



Sources: In left graph, data on net turnover per employee is from GSO Vietnam (2008, 2010a, 2010b, 2016, 2018), while CPI is from World Development Indicators (World Bank 2019). In right graph, data on employment from GSO Vietnam (2008, 2010a, 2010b, 2016, 2018) and data on export value from UN Comtrade (2019), SITC 84.

Unlike in Cambodia, however, garment manufacturers in Vietnam achieved considerable labour productivity improvements after the transition to rising wages. From 2008 to 2016, net turnover per employee more than doubled in nominal terms (+146%) and grew significantly relative to both producer prices (+48%) and consumer prices (+42%). That labour productivity in the Vietnamese manufacturing sector kept pace with wage growth is also the conclusion of a recent analysis by VEPR (VEPR 2018, 106). The same point can be made by comparing export value and employment in the garment industry, as shown in Figure 31. As seen, the two series rose in tandem in the first half of the 2000s, while since 2006, export value has by far outpaced employment[113]. Although separate data is unavailable for foreign-invested garment manufacturers after 2006, ownership-disaggregated statistics on manufacturing as a whole suggests that rising labour productivity applies to foreign- and non-foreign-owned enterprises alike. In the context of such productivity boost, indicative of profound economic upgrading, the Vietnamese garment industry could finance real wage increases out of greater value-capture per worker. As result, it avoided a wage-driven profit squeeze of the sort experienced in Cambodia. With the productivity improvements observed above, previous profitability levels were restored, with the average profit rate in garment manufacturing over the years 2010-2016 returning to its past level of 1.81%. In this way, trends

[113] A caveat here is that the employment figure comprises both exporting and non-exporting firms, while export value naturally only reflects the value generated in the former.

in labour productivity, export earnings, employment and profits suggest that in Vietnam, even more so than in Cambodia, the critical juncture marked an end to a merely quantitative expansion of the garment industry.

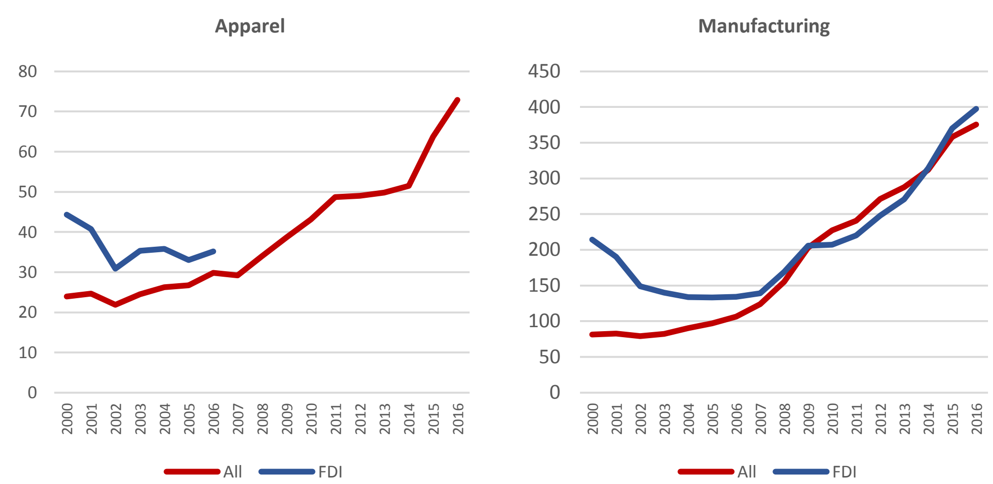
8.4.2 Technological, product, spatial and other fixes

What strategies did Vietnamese garment manufacturers pursue to achieve this? Firstly, and much more comprehensively than in Cambodia, producers invested in technological upgrading. VITAS and all five factories visited during fieldwork pointed out that rising wages had forced them to invest in labour-saving technologies. A Hong Kong-owned manufacturer, producing for high-end European brands, reported that the garment industry generally – with low entry barriers and access to cheap labour – suffers from a disincentive to invest: "There is no innovation, no need to invest and a very 'short-termist' outlook – you keep on migrating to countries that still have 'people with no choice'". With a commitment to stay in Vietnam, however, this company had invested massively in "operational improvements, IT, a lot of automation and semi-automation". As result, the doubling of wages had only caused a 10% increase in costs. Likewise, the manager of a former SOE explained that her company had purchased semi-automated machinery in washing, cutting, stitching and some sewing operations, such as pockets – "so now, one worker can do the same job as five used to do".

Similar dynamics are evident in aggregate statistics. An indication of the technological upgrading trajectory can be gained by consulting the changing value of fixed assets – property, buildings, machinery, equipment etc. – per employee in the Vietnamese garment industry. As shown in Figure 32, this measure of capital-intensity grew slowly in the first half of the 2000s, but accelerated after the onset of the strike wave[114]. From an annual rate of just 2.9% from 2000 to 2007 (in nominal terms), the value of fixed assets per employee grew at a compound rate of 10.7% between 2007 and 2016. Although such steep increase in capital-intensity was no doubt driven by a number of factors, the pressure from rising wages, brought up in fieldwork interviews, likely played its part. Corroborating this conclusion, the afore-mentioned VEPR report examined how the minimum wage hike in October 2011 affected firm decisions and found a strong positive effect on investment in mechanization and a slight negative effect on employment. In fact, of all industries, the report found the mechanization effect to be strongest in garment and textiles (see also Nguyen 2017; VEPR 2018, 114–16). With substantial investment in process upgrading, the Vietnamese garment industry has, in the words of Goto (2014), realized "operational-based physical productivity that are among the highest in the world" (K. Goto 2014, 128).

[114] As earlier, data on the foreign-invested apparel industry is only available in the period 2000-2006.

Figure 32. Fixed assets and long-term investment per employee, 2000-2016



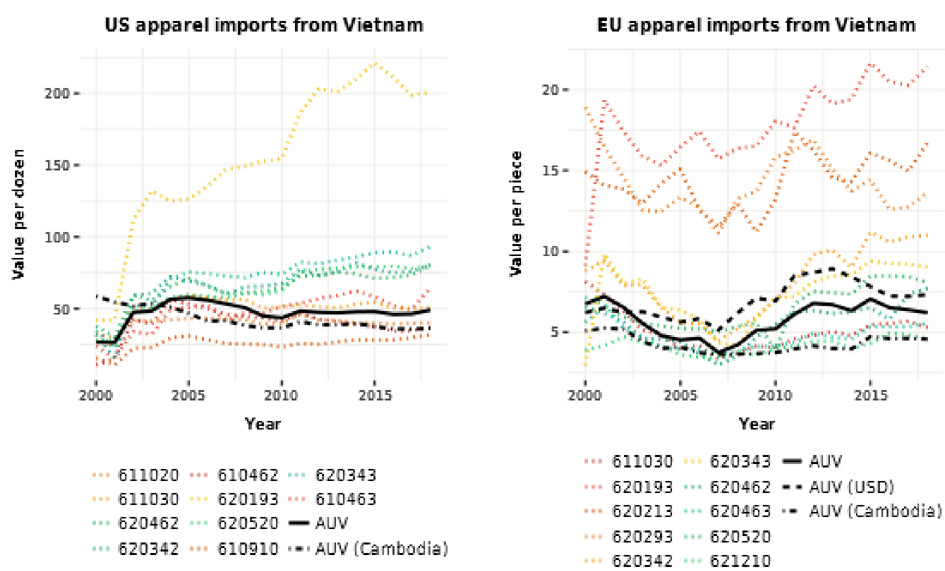
Sources: GSO Vietnam (2008, 2010a, 2010b, 2016, 2018).

Again, aggregate statistics point to some curious differences by ownership. In foreign-invested garment enterprises, the value of fixed assets per employee – initially much higher than in the domestic sector – dropped markedly in the first half of the 2000s. Although disaggregated data on foreign-invested *garment* firms is unavailable after 2006, statistics on the *manufacturing* sector as a whole replicate the impression that falling capital-intensity prior to the critical juncture was solely a feature in foreign-invested enterprises, and that, as result, the domestic sector had entirely caught up by the end of the decade. Also, it suggests that the move towards capital-intensive manufacturing from 2007 onwards occurred across ownership types. These figures, hence, echo a key finding from the Cambodian case: that foreign garment investors have little inherent interest in economic upgrading and, hence, are hesitant to make large investments unless compelled to do so.

In addition to technological fixes, Vietnamese garment manufacturers moved into higher-value products. Fieldwork provided several examples. A foreign-owned manufacturer, who had been in Vietnam since the early 2000s, reported that over the last five-six years, his factory had added a series of high-end brands to its portfolio. The parent company, an East Asian TNC, had served these buyers for a long time, but as wages had been pushed up in China, higher-value products were reallocated to Vietnam. Likewise, a European-owned firm established in 2008 had specialized in high-value and high-tech sportswear.

If rising unit values can be taken as an indication of product upgrading, as is common in the GVC literature, Vietnam does indeed appear to have achieved some degree of product upgrading in tandem with rising wages. Figure 33 displays the unit value of US and EU garment imports from Vietnam since 2000. As seen, six of the top ten import categories to the US had higher unit values

Figure 33. Unit values of US and EU garment imports from Vietnam, 2000-2018



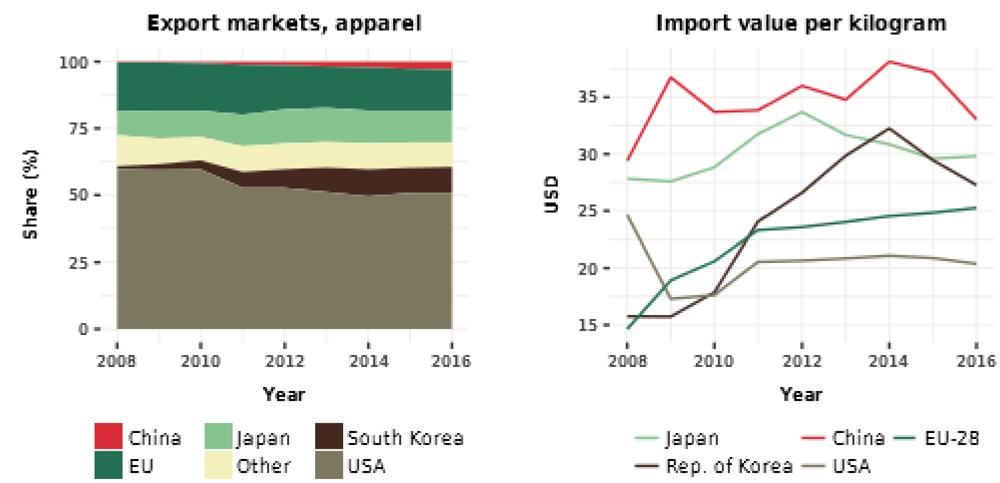
Sources: Data on US imports from USITC (2019); data on EU imports from Eurostat (2019).

in 2018 than at their peak in the first half of the 2000s. Although the aggregate declined by 15% from 2005 to 2018, Vietnam was less negatively affected than Cambodia, where it dropped by 38%. Corroborating this picture, Goto et al. (2011) found that while Vietnam experienced falling unit values after the MFA phase-out, it was less pronounced, indicating that "Vietnamese products have been better able to maintain their value at a time when Chinese export appears to have been driving down apparel prices in most cases" (2011, 368). Since 2010, in fact, the aggregate unit value to the US has increased by 13% (compared to a 1% decline for Cambodia), and only one of the top 10 import categories recorded a drop (compared to five for Cambodia)[115]. In EU import statistics, signs of product upgrading are even stronger. All the ten largest import categories recorded declining unit values during the 2000s, but beginning in 2007, the trend reversed – all ten categories saw rising unit values up to 2018, while the aggregate figure rose by 66% in euros (compared to 26% for Cambodia) and by 43% in dollar-terms (compared to 16% for Cambodia).

Moreover, Vietnamese manufacturers gradually turned to new and less price-sensitive export destinations (K. Goto et al. 2011, 365). As seen in Figure 2, the share of the US in Vietnamese

[115] These trends are supported by exchange rate movements. As the Vietnamese dong has, especially since Vietnam's WTO accession in 2007, continuously depreciated vis-à-vis the US dollar, even stable dollar-denominated prices paid by global buyers translated into rising prices in terms of Vietnamese dong[115]. From 2007 to 2018, the VND-USD exchange rate depreciated by 43%, so a constant dollar-price over the period amounted to a 43% increase in terms of the local currency.

Figure 34. Market destinations and import unit values, 2008-2016



Sources: UN Comtrade (2019), SITC 841.

garment exports dropped from 59.7% in 2008 to 50.1% 2016, the EU declined from 18.4% to 15.0%, and – in contrast – the shares of Japan grew from 8.9% to 11.7%, of South Korea from 1.2% to 10.4%, and of China from 0.3% to 3.4%. That these end markets are characterized by higher-value goods can be seen from the right graph, which plots the unit values (per kilogram) of garment imports from Vietnam for the five largest export markets in 2016[116]. As seen, in the latest year available, unit values for China ($33), Japan ($29) and South Korea ($27) were significantly higher than for the EU ($26) and, most notably, the US ($20)[117]. Hence, the turn away from the US, subject to the lowest prices and the greatest squeeze, towards markets with more conducive pricing dynamics, helped the Vietnamese industry raise value capture. That Vietnamese garment manufacturers were relatively successful in escaping the price squeeze in recent years is also reflected in the export price index for apparel[118], which grew by 21% between 2010 and 2017.

Thirdly, garment producers in Vietnam expanded activities both upstream and downstream (Lopez-Acevedo and Robertson 2012, 488). Although Vietnam traditionally had a textile industry, the quantity and quality of its output were insufficient for the booming export sector, which instead relied on imported materials from China, Hong Kong, South Korea and Taiwan (Nadvi and Thoburn 2004, 114; Lopez-Acevedo and Robertson 2012, 484). Especially since Vietnam's WTO accession, however, investment in, and output from, textile production has accelerated. From 2006

[116] This figure draws on UN Comtrade, in which quantity is most consistently reported in terms of net weight.
[117] Denominated in value per piece (not shown), the pattern is the same: The US has the lowest unit value ($4.1/piece), the EU the second-lowest ($7.3/piece), and then follow China ($8.3/piece), Japan ($8.4/piece) and South Korea ($11.7/piece).
[118] Only available from 2010 onwards.

to 2009, the amount of fabrics produced in Vietnam roughly doubled, from 570 to 1187 million m^2, while textile fibres – taking off a few years later – quadrupled from 0.39 mega tonnes in 2008 to 1.15 mega tonnes in 2012. This catch-up was driven both by foreign investors and the SOEs in the Vinatex group (the state-owned garment and textile conglomerate), which invested heavily in vertically-integrated production, aiming for a complete chain from cotton, fibre and weaving to dying and sewing (Tran 2012). More recently, the strengthening of backward linkages was motivated by the prospects of the new trade agreements and their "rules of origin", which require Vietnamese garments to be made from inputs from Vietnam or another signatory, from "yarn forward" ((CP)TPP) and "fabric forward" (EVFTA), to be eligible for preferential market access. This created incentives for especially Asian TNCs, sourcing inputs from China, to invest in local textile production, and for domestic companies to prepare for intensified competition (VN 19 Jan 2019). Tellingly, foreign investment in fabric production in 2014 and 2015 was almost three times higher than in the entire period 2000-2013 (VCOSA 2017). The efforts to build backward linkages are also reflected in the fact that, in the shipment statistics of the International Textile Manufacturers Federation, Vietnam over the period 2008-2017 ranked the world's third-largest importer of rotors, fourth-largest importer of spindles and flat knitting machines and fifth-largest importer of power-looms, circular knitting machines and draw-texturing machines (ITMF 2018). As result, the local content ratio of Vietnamese garment exports grew from 20-25% in the early 2000s to, reportedly, 50% in 2018 (CustomNews.vn 2018).

Meanwhile, some manufacturers succeeded in moving away from the lowest production modalities to include fabric sourcing (FOB), design and product development (ODM), and sometimes own brands and retail networks (OBM). A significant number of firms, especially former SOEs and domestic-private firms have added design capabilities. Importantly, and in conformity with the usual assumptions of the GVC framework, according to Vinatex, the profit rate from ODM production, in 2013 representing 10% of revenue within the group, was substantially higher (10%) than for CMT (3%)(Vinatex 2014, 17). In addition, a few garment firms, such as the former SOEs Viet Tien and Nha Be, and private-Vietnamese Hoang Duong and Anh Phuoc, have developed their own brands[119]. By 2018, according to an interview with Vinatex director Le Tien Truong, CMT accounted for 30-35%, FOB for 55-60% and ODM and OBM combined for 10% of garment production in Vietnam (VietnamPlus 4 Jan 2018).

Finally, garment manufacturers in Vietnam have, to a much greater extent than in Cambodia, pursued spatial fixes. To escape labour shortages, protesting workers, rising wages, and the resultant squeeze on profits, many enterprises either relocated to areas with lower wages or

[119] Examples include the former SOEs Viet Tien, whose brands "Vietlong", "T-Up" and others are sold in its 22 stores nationwide (www.viettien,com), and Nha Be, whose brands "Mattana" and "Novelty" are sold in 200 retail outlets (REF). A number of private-domestic garment manufacturers, too, have expanded into OBM. For instance, the high-end brand Anh Phuoc, which began as a sewing workshop for simple export apparel in 1992, decided to enter the domestic market, when the 1997 Asian Financial Crisis caused a drop in export orders, and today owns 10 factories and 60 stores (www.anphuoc.com.vn); Hoang Duong Trading and Service JSC opened as an exporter of wool products in 1997, but launched its own brand, "Canifa", in 2001, to meet the growing domestic demand (); and "Elise Fashion", a vertically-integrated manufacturer and retailer of women's wear, founded in 2011, operating around 100 stores and recently acquired by a Japanese investor (Vietnam Investment Review 16 Feb 2019).

opened up facilities there, keeping the more knowledge-intensive, higher-value activities in the largest cities. All the (former) SOEs interviewed by Goto et al. (2011) in 2007 were planning on expanding capacity in rural areas (2011, 370). During fieldwork, these spatial accumulation strategies – leveraged by Vietnam's four-tiered minimum wage structure – were commonly encountered. An example is a former SOE that combined investments in technology with a shift in geographical focus. Having established the first factory in HCMC in 2007, the company already from 2009 "moved production to zone 3 and 4, where it is much easier to find workers, and wages are lower" – and by 2018, it had 20 facilities across the country[120]. As noted above, this spatial restructuring of the garment industry only served to aggravate the upwards pressure on wages and, hence, push for economic upgrading in the key industrial hubs, as rural migrants now had alternative employment options closer to home.

All in all, the garment industry in Vietnam was more successful in achieving economic upgrading in tandem with social upgrading. This is also the conclusion of recent research. Vietnam, among the six countries compared by (Lopez-Acevedo and Robertson 2016), ranked second on buyers' perception of quality, lead time and reliability and social compliance and sustainability, while Cambodia ranked fourth in each of these dimensions (Lopez-Acevedo and Robertson 2016, 55). Similarly, Nattrass and Seekings (2018) place Vietnam in the group of upgraders ("more capital-intensive, higher-valued products") and Cambodia in group of downgraders ("more labour-intensive, lower-valued products") (2018, 284).

8.5 Conclusions

This chapter has nuanced the conclusions from the Cambodian case through a comparative analysis with the garment industry in Vietnam, a country whose political-economic system, institutional framework and industry ownership structure differ significantly. It was found that a number of common mechanisms account for the similar outcomes. Also in Vietnam was the downwards social trajectory broken by a historic strike wave that forced concessions from employers and, not least, the party-state. And as in Cambodia, the labour-led turning point was leveraged by a reversal in workers' marketplace bargaining power, driven by a parallel set of processes: a reduction of surplus labour, catch-up of agricultural productivity and incomes and the emergence of better-paid alternatives. Combined with the tendency of garment factories, especially in the foreign-owned sector, to pay declining real wages, the result was sudden labour shortages in the key industrial areas of Vietnam, just prior to and during the critical juncture.

A main difference, however, is the relationship between the state and the working class. In contrast to the CPP in Cambodia, the VCP perceives industrial workers as a key constituency and

[120] Similarly, a Hong Kong-owned manufacturer, who had opened in Binh Duong in 2001, in 2012 began constructing a new factory in minimum wage zone 3 in Northern Vietnam.

source of political legitimacy – and this is one reason why authorities were quick to blame employers, acting as a worker representative with state power. Given the inexperience in dealing with capitalist industrial conflict, however, the labour-friendly response was equally motivated by a fear that strikes would evolve into a wider protest movement against the party-state itself. Also in Vietnam, hence, albeit in a different sense, was workers' capacity to disrupt the established political order instrumental in extracting concessions from the state.

Finally, the chapter has argued that, as in Cambodia, rising labour costs put pressure on garment factories' profits and prompted them to engage in economic upgrading. Unlike their Cambodian counterparts, however, the Vietnamese industry was more successful in accommodating higher wage through higher value capture per worker. Through technological upgrading and the move to higher-value products, in particular, the Vietnamese garment industry avoided a profit crunch as severe as the one that hit Cambodia.

CHAPTER 9

Conclusions

While early global value chain (GVC) research was mainly concerned with economic upgrading, growing evidence that such did not necessarily lead to improvements in wages, working conditions and other entitlements for workers led GVC scholars to carve out *social upgrading* as a distinct analytical category. Yet, the understanding of the mechanisms behind social upgrading, and their relation to economic upgrading, remains rather weak. Informed by a reformulated GVC framework rooted in Marxist political economy, this thesis aims to alleviate this knowledge gap by addressing the following research question: *What role do evolving capital-labour relations play in processes of social and economic upgrading in global garment value chains?*

As theoretical point of departure, the thesis develops a reworking of the GVC perspective rooted in Marxist political economy. Drawing on Selwyn (2013), it is argued that the GVC perspective in general, and the mainstream concept of social upgrading, in particular, suffer from a *vague conceptualization of labour*. Inspired by Polanyian institutionalism, this perspective views social upgrading as the outcome of a broad-based counter-movement from society, cutting across class boundaries, to protect itself from the excesses of dis-embedded markets. In this view, decent work is to be achieved through innovative institutional mechanisms and governance forms, established in an alliance between lead firms, unions, international organizations and states. This perspective, arguably, rests on a "win-win" assumption of social change, which overlooks the social relations underpinning capitalist production and, as consequence, inadequately comprehends to underlying causes of indecent work. To address this issue, the thesis follows the advice of Cumbers et al. (2008), Rainnie et al. (2011) and Selwyn (2012a), among others, in reworking the GVC perspective along Marxist lines. Perceiving capitalism as by the dual relations of exploitation and competition, such perspective places antagonistic class relations, rooted in sphere of production, at the heart of capitalist development. Rather than viewing social upgrading as an automatic by-product of economic upgrading, nor as result of cross-class governance initiatives, it interprets processes of social upgrading in light of class struggle. In this perspective, the active agency by working classes, the prevailing balance of class forces, and the positioning of the state in capital-labour relations, are seen as key determinants of social upgrading. Moreover, evolving class relations are understood to condition the trajectories of economic upgrading.

These "local-level" class conflicts are seen as fundamentally shaped by GVC dynamics. In this way, capitalist development in GVCs is conceptualized at the intersection of a "horizontal" axis (local capital-labour-state relations) and a "vertical" axis (GVC dynamics, most notably governance and value distribution). Adopting a methodologically globalist conception of class, lead firm accumulation strategies are themselves re-interpreted in class-relational terms, chiefly shaped by class dynamics in the main consumer markets in the global North. This reframing turns the GVC concept into a tool for investigating how class dynamics in different parts of the world interact, mediated by inter-firm relations.

Moreover, it is argued that the GVC framework can gain from taking into account that garment-producing countries tend to share a number of structural features, including the co-existence of emerging capitalist sectors and subsistence-based agriculture and sizeable labour surpluses. To explicate the influence of these conditions of "peripherality", the thesis draws on classical development economics, in particular the work of Arthur Lewis, Latin American structuralism, most centrally the Prebisch-Singer thesis, and dependency theory, especially Marini's concept of super-exploitation. Equipped with these insights, it is argued that local-level class relations along the "horizontal" axis are co-determined by an "internal" aspect of "peripherality", in particular the structurally weak bargaining position of industrial workers due to the existence of surplus labour in the countryside. Similarly, the workings of GVC dynamics along the "vertical axis" are influenced by the tendency of peripheral producers to "spin off" surplus value in their external trade relations. These tendencies, it is argued, pose a barrier to retaining the fruits of technological progress, with productivity gains being "traded away" via lower prices rather than captured as higher incomes. With Marini, it is argued that these mechanisms of *unequal exchange* work as a systemic drain on surplus value, giving rise to a structurally declining profit rate that induces peripheral producers – as compensation – to *super-exploit* workers, pushing wages below reproduction costs and working workers beyond exhaustion.

In essence, thus, the theoretical approach adopted in the thesis locates capitalist development in GVCs, including processes of social and economic upgrading, at the intersection of a "horizontal" axis (local capital-labour-state relations) and a "vertical" axis (governance and distributional dynamics of GVCs), with particular attention to the ways in which the triple phenomena of surplus labour, unequal exchange and super-exploitation co-determined class relations in garment-exporting countries.

As a key premise of this theoretical framework is that the modality of class struggles within manufacturing nodes in the global South are co-determined by GVC dynamics, the thesis starts by analysing the main trends and tendencies of the contemporary garment GVC, understood in relation to the changing political economies of the US and EU, the two largest markets for garment consumption. It is argued that the consolidation of neoliberalism in the global North, associated with a deceleration of economic growth, a decoupling of the wage-productivity link of the post-war compromise, growing inequality, wage stagnation for large sections of society and declining labour shares in national income, has led lead firms in the garment GVC to pursue highly aggressive pricing and sourcing strategies. In the context of stagnating consumer demand, cost-minimization, flexibility and off-loading of risk through the fostering of oligopsonistic sourcing relations became the main ways to sustain profitable capital accumulation for brands and retailers. This "sourcing squeeze" was further intensified with the onset of South-South competition and the phase-out of the Multi-Fibre Arrangement (MFA) in 2005. Based on analyses of international trade data, it is demonstrated how these processes have led to an immense pressure on manufacturers in the contemporary garment GVC, with a constant depression of export prices combined with tightening requirements to product quality, lead times and flexibility. These conditions, it is demonstrated, have gradually worsened over time, culminating in deflationary garment prices since the mid-1990s, even in nominal terms. An analysis of industrial statistics on garment manufacturing for the largest exporters (with available data) since the mid-1960s found that this has given rise to phenomenon that was unknown to Northern garment manufacturers prior to launch of the neoliberal "globalization project" and Southern ones in the first rounds of industrial relocation, what is here called *the tendency of the shrinking real surplus*. In a pinch between falling export prices and rising living costs, today's garment manufacturers face severe obstacles to raising value-capture per worker in line with workers' reproduction costs – a condition that gives rise to the peculiar problem that even *maintaining* real wages erodes profitability. In other words, the capacity of garment production to finance real wage increases has been eroded since the mid-1990s, coinciding with the onset of the "sourcing squeeze". It is argued that these distributional dynamics impose a structural profit squeeze on garment manufacturers in the 21st century garment GVC; conditions that lead to particularly conflictual class relations and underpin the super-exploitation of garment workers in the global South. While not undefeatable, these distributional trends place a heavy burden on constant productivity improvements through economic upgrading.

Informed by this analysis of evolving garment GVC, and the conditions it offers new producer countries, the thesis interrogates the economic and social trajectories of the garment industries of Cambodia and Vietnam, two of the fastest-growing garment exporters since the millennium. These cases are selected, as they share similar social trajectories (with important differences, though), but differ on other most other accounts: the industries differ markedly by ownership structure, and the political economies and institutional frameworks of the two countries are decidedly different. The Cambodian garment industry has often been hailed for its progressive labour rights regime and can, hence, be viewed as a crucial case from the mainstream conception of social upgrading; while Vietnam, with its monopoly trade union structure and (allegedly) limited voice for workers, is bashed for its restrictive legal environment. Together, these cases represent a most-different systems design, in which the similar outcomes in otherwise different cases prompt an investigation into common causal mechanisms. Based on fieldwork, involving interviews with ministry officials, employers' associations, trade unions, labour rights CSOs and workers themselves, an extensive review of statistics from national and international sources and, not least, the intensive coverage of strike activity in national media (especially in Cambodia), the thesis points at a number of conclusions. In the research design adopted in the thesis, Cambodia serves as primary case, subject to in-depth scrutiny, while Vietnam is included as a secondary case for comparative purposes.

Dissecting the trajectories of the garment industries in these countries, and exploring the processes and mechanisms that have brought about the changes, the thesis finds that workers' collective action was a key driving force of social and economic upgrading. In both countries, after the integration into the garment GVC, periods of industrial expansion based on attracting foreign investment with cheap labour, with infrequent minimum wage adjustments and declining living standards for workers, gave way to periods of institutionalized minimum wage increases and improvements in other dimensions of decent work; and in both cases, the "turning point" occurred after unprecedented eruptions of workers' collective action. In Cambodia, a phase of social downgrading from 1997 to 2012 – with falling real incomes of garment workers, increasing casualization, exhaustion and malnutrition, and a worsening of already conflictual capital-labour-state relations – was broken by a period of unusually intense strike activity from 2012 to 2014. In the matter of three years, the legal minimum income of garment workers (the minimum wage plus mandatory benefits) almost doubled, for the first time bringing workers' income significantly above its 1997-level. The strike wave, which was violently repressed by the government, activated major brands to add pressure on the Cambodian government to institutionalize annual wage negotiations. More than that, it caused a general shift in the approach of the government to the garment workforce. With such institutionalized concessions, garment workers – even in the context of a drastic decline in strike activity – enjoyed additional improvements in the subsequent period: the introduction of a health insurance, at first co-financed by workers and factories, but later shifted entirely onto employers; baby bonuses to pregnant workers; a substantial increase in maternity benefits; subsidized water and electricity bills; and free public transportation. With these concessions, Cambodian garment workers were brought significantly closer to a living wage.

In Vietnam, a similar process took place a few years earlier. Here, a freeze of the minimum wage for workers in the country's foreign-invested sector for several years made garment workers' incomes decline until 2005, making them some of the poorest paid in the world. The trajectory of social downgrading was, however, interrupted by a long series of wildcat strikes starting at the turn to 2006 and lasting until 2012, of which the majority took place in foreign-invested *garment* factories. Like in Cambodia, the Vietnamese government responded by increasing the minimum wage and institutionalizing annual adjustments. A new labour code passed in 2012, moreover, instituted a new wage-fixing mechanism, the only one in Asia providing for a living wage, and Vietnamese workers were granted other material benefits, including a six-month maternity leave, among the longest in the global South. The new labour code gave the Vietnamese General Confederation of Labour (VGCL) a powerful platform for advocating further wage increases, also after the strike way ebbed out; and as result, the minimum wage rose from representing less than a third of a living wage in 2005 to two-thirds in 2018, and according to some estimates as much as 90%.

Moreover, the strike wave, particularly intense until 2011, exerted pressure on the government and the VGCL to reform the industrial relations framework. Although worker representation remains weak in Vietnam, collective action has led the VGCL to promote collective bargaining and experiment with worker-initiated grassroots activities and cultivated a realization in the leadership that union reform is a necessity. In these ways, the analysis suggests that workers' collective action has been a key mechanism of social upgrading, which – although garment work in many ways remain indecent – has brought workers' incomes closer to a living wage and precipitated improvements in social protection (Cambodia) and social dialogue (Vietnam).

Hence, the thesis finds that in both cases, phases of social downgrading were interrupted by labour-led "critical junctures", giving way to phases of institutionalized, if ambiguous, social upgrading. In seeking to explain the timing of the strike waves, as well as the reasons for their successes, the thesis investigates how the critical junctures coincided with underlying shifts in workers' structural bargaining power vis-à-vis capital and states. It finds that, in different ways in the two cases, the unparalleled strike waves combined with simultaneous upswings in the workers' structural power resources, bringing about lasting alterations in the balance-of-class-forces and shifting garment workers onto new social trajectories.

Firstly, the critical junctures coincided with tightening labour markets, turning the relative marketplace power of labour and capital upside down. In both cases, the phase of social downgrading was characterized by the existence of vast amounts of surplus labour and rapid migration into urban-based industries from the low-productivity, poverty-stricken countryside. These processes combined with country-specific phenomena, including a post-Pol Pot baby boom and rampant land-grabbing in Cambodia and the mass redundancies during the Vietnamese reform period, to produce a rapid expansion of salaried working classes at the time of integration into the garment GVC. Under these conditions, the emerging industries could draw on seemingly inexhaustible supplies of cheap labour, as envisioned by Lewis (1954), effectively undermining the bargaining position of workers.

At the critical junctures, however, a number of factors contributed to boosting workers' marketplace bargaining power. In both cases, the expansion of industry, including garments, made a deep cut into the pool of excess workers; demographic trends contributed to a contraction of the pool of (female) workers in the age bands typically demanded by garment factories; rising productivity and incomes in agriculture rendered the push out of rural areas less acute; and the availability of alternative jobs improved, all contributing to growing difficulties for garment factories in recruiting and retaining workers. Most decisively, these trends combined with falling real wages in garment manufacturing, with the result that, in the matter of a few years, the latter went from being highly sought-after to a less attractive alternative. In these ways, workers' marketplace bargaining power may be viewed as crucially conditioned by the structural transformations brought about by capitalist transitions in Cambodia and Vietnam.

At the same time, the case studies suggest that the distributional dynamics of the garment GVC, along the "vertical axis", served to intensify this mechanism. Indeed, the rapid reversal in the relative pull of garment factory employment may be seen as stemming from the tendency of export-oriented factories to pay wages disconnected from rising living costs and incomes in the surrounding environment, as noted above. As such, this phenomenon may be seen as peculiar to production in GVCs, where the formation of export prices is largely exogenous to the social formations, in which the working classes reproduce themselves. Arguably, however, it is particularly strong in the garment GVC, where factories tend to compensate for deflationary export prices by super-exploiting workers. Operating at the intersection of "horizontal" and "vertical" dimensions, this mechanism, arguably, represent a key contradiction of GVC-led industrialization, explaining why grievances accumulate particularly quickly in export-oriented factories producing for the global North. As consequence, the temporal distance between labour *surplus*, factories pulling in heaps of workers from subsistence-based agriculture, and acute labour *shortage* in *export-oriented* industries, may be remarkably short, producing sudden surges in workers' marketplace bargaining power, as was the case in Cambodia and Vietnam.

The analyses, moreover, suggests that processes of social upgrading cannot be isolated from domestic politics. In particular, changing relations between the state apparatus and the working class, not least the ability of organized labour to threaten the survival of the ruling party, emerge as key causal factors. In Cambodia, the "critical juncture" in the social trajectory of garment workers coincided with the greatest challenge to the political regime for decades; and, notably, a challenge in which the garment workforce played a lead role. The ruling party, CPP, in power since the ousting of Khmer Rouge in 1979, has traditionally derived its legitimacy from the countryside, the support of which was secured through a strategy of patronage. Based on these strategies, the CPP had become the all-dominant political force in Cambodia, with a virtual hegemony in local and national politics and a firm grip of the state. Conversely, the industrial labour force, mainly associated with the political opposition, remained marginal to the power base of the CPP.

However, with the rapid expansion of the garment industry, its workforce emerged as such a decisive voter segment that when the political opposition made higher garment minimum wages a cornerstone of its political platform for the 2013 election, it resulted in a near-defeat of the CPP, to the apparent shock of the ruling party. The challenge to Hun Sen became acute, when election-contesting protests by opposition supporters and minimum wage protests by garment workers merged into a society-wide mass movement in December 2013, provoking the government to launch a violent crackdown early in 2014 – resulting in the death of workers, headlines across the globe and the triggering of major brands to add pressure on the government. These political landslide events, expressing an unprecedented degree of regime-disruptive power of the garment workforce, became a "wake up call" for the CPP that evidently shifted the balance of power between workers and the state. The CPP's charm offense against garment workers since the critical juncture, including substantial wage increases, as well as the introduction of employer-paid health insurance and higher maternity benefits, among other things, should clearly be understood as an attempt by the ruling party to win over the garment workforce and consolidate power. As such, it can be seen as an attempt to extend the patronage to the industrial working class.

In Vietnam, the resolute response of the government to the outbreak of the wildcat strike wave in late 2005, immediately siding with the striking workers, can equally be explained by its particular labour-state relations. While Vietnam is often viewed as a one-party system with limited space for an independent civil society, the party-state has a long tradition for being responsive to grassroots pressure, in particular if coming from peasants or workers, who represent the communist party's key ideological constituencies. This understanding of the Vietnamese political system as a "dialogical state" may provide a clue as to why the Vietnamese government has generally supported striking garment workers. Two additional factors, however, made it particularly attentive at the time of the "critical juncture". Firstly, the relative inexperience of Vietnamese authorities in dealing with capitalist industrial conflict made it wary of possible *political* spill-overs of workers' collective action; and secondly, the strikes erupted just prior to Vietnam's accession to the WTO, creating a fear that strikes would stifle foreign direct investment. In these ways, the analysis suggests that the ideological orientation of the Vietnamese party-state, coupled with the fear that strikes may spill into more politically-motivated protest, gave workers a special form of political-disruptive power, which made the government act promptly in support of the striking workers.

Finally, the thesis examines how garment manufacturers and governments have attempted to "manage" social upgrading, i.e. the strategies adopted to accommodate rising working class power and labour costs. The analysis suggests that social upgrading in many ways acts as a catalyst of economic upgrading. In the Cambodian garment industry, practically entirely foreign-owned, factories earned "disgustingly high" profits during the cheap-labour phase – and out of "complacency", little investment in economic upgrading took place. However, social upgrading after the critical juncture has severely squeezed factories' profits and required measures by factories and the government. Factories have reacted in several ways, often in combination: Investing in labour-saving technologies such as automation, putting additional pressure on workers, increasing production quotas and work intensity, cutting overtime work (which is more expensive to factories, but also provides workers with much-needed income) or closing operations with the parent company shifting production elsewhere. To deal with the situation, the Cambodian government initiated the drafting of a new long-term strategy for the garment and footwear industry, aimed at moving into higher value-added segments of the GVC. In this way, social upgrading has evidently been pushing economic upgrading, both at the factory-level and the policy-level. The challenge, nonetheless, is grave: Accommodating the last five years' tripling of the minimum wage through improved productivity is a near-impossibility for the Cambodian industry. Few manufacturers so far have been able, or willing, to make the necessary investments – and as result, the wage increases have been accompanied by a further intensification of work regimes.

In Vietnam, the wage increase has been less drastic, which has, arguably, allowed firms to plan ahead and make the needed investments in time. However, in Vietnam too, factories are responding in different ways: The survival of factories in labour-scarce, high-wage areas has been conditional upon substantial economic upgrading, with production of high-quality, high value-added goods and investment in technology and improved work organization; often, moreover, these factories have developed vertically-integrated production chains with backward linkages to textile production. Factories unable to achieve this have been pushed out of industrialized areas and relocated to provincial centres or the countryside.

However, states have also taken other steps to curtail the upwards pressure on labour costs. In 2016, the Cambodian government adopted a much-criticized trade union law, which severely interferes in the freedom of association and right to organize, making it more difficult for workers to conduct lawful strikes and illegal for unions "to agitate for purely political purposes". This shrinking of the room of maneuver for unions, aimed at reducing the associational power of workers, is part of a wider crackdown on the opposition movement, including the elimination of the opposition party and the prosecution of civil society activists. In this way, social upgrading in Cambodia was as a highly paradoxical process: improvements in measurable standards, including steadily increasing wages and advances in social protection, were swapped for a dilution of enabling rights. In Vietnam, the party-state has displayed a more pro-labour attitude, attempting to accommodate the pressure from wildcat strikes through reforms, albeit extremely slow and incremental, of the union system.

These conclusions, arguably, have political implications. The fact that what is generally viewed as a "best case" labour rights regime co-existed with the deepening of super-exploitation, evident in falling real wages and a physical degradation of garment workers that culminated in the boom of mass faintings in the early 2010s, suggests that institutional solutions have limited impact, unless they emerge from shifts in the underlying balance of class forces. This suggests that social upgrading requires much more than new "governance" solutions. As a matter deeply entwined in class-based politics, profound decent work can only be achieved through active support to labour movements and pro-labour political parties in garment-producing countries.

The thesis, however, brings attention to the ways in which local-level class struggles are constrained by the conditions of the 21st century garment GVC. A fundamental problem of governance-based perspectives on social upgrading, in this light, is that their cooperative, voluntary and "win-win" approaches presuppose a value distribution that enables mutually beneficial solutions to be found across class divides – an assumption that, as demonstrated above, flies in the face of the material reality in most of today's garment-producing countries. While Marxist political economy perceives capital-labour relations as zero-sum at their very core, and views compromises as inherently unstable, class compromises are, arguably, rendered all the more unlikely by the value distribution in today's garment GVC.

Ultimately, sustained and sustainable social upgrading for garment workers, and economic upgrading for manufacturers, is unlikely to materialize, unless brands and retailers are willing to relax the profit squeeze on suppliers. A straightforward way to promote a fairer value distribution would be to commit – or compel – lead firms to share in the burden of consumer price inflation in sourcing countries; a reversal of the current situation, where suppliers are expected to concede to the deflationary trends of consumer markets. Linking lead firm strategies to the class dynamics of the global North, as done in the thesis, however, suggests that this is an improbable scenario. In the context of the neoliberal and financialized form of capitalism in much of the global North, with sluggish demand and aggressive price competition, brands and retailers are unlikely to abandon persistent cost reduction – predicated upon super-exploitation in the global South – as a core component of their accumulation strategies.

Bibliography

95 CSOs. 2018. *End Criminalisation of Unionists*. https://laborrights.org/sites/default/files/docs/Joint_Statement Union Leader Convictions_Final_English.pdf.

Abernathy, Frederick H. 1999. *A Stitch in Time: Lean Retailing and the Transformation of Manufacturing - Lessons from the Apparel and Textile Industries*. Oxford: Oxford University Press.

ADHOC. 2004. *Human Rights Situation Report 2004*. Phnom Penh: The Cambodian Human Rights Development Association (ADHOC).

———. 2014. *Land Situation in Cambodia 2013*. Phnom Penh: Cambodian Human Rights and Development Association (ADHOC).

Adidas et al. 2014. "Letter 17 January 2014." www.industriall-union.org/sites/default/files/uploads/documents/Cambodia/joint_letter_from_global_unions_and_global_brands_to_the_cambodian_prime_minister.pdf.

Adler, Daniel, Caroline Sage, and Michael Woolcock. 2009. *Interim Institutions and the Development Process: Opening Spaces for Reform in Cambodia and Indonesia*. Manchester.

Aggarwal, Vinod. 1985. *Liberal Protectionism: The International Politics of Organized Textile Trade.* Oakland, CA: University of California Press.

Akhram-Lodhi, A Haroon, and Cristóbal. Kay. 2010. *Peasants and Globalization: Political Economy, Rural Transformation and the Agrarian Question*. London: Routledge.

Allen, Kieran. 2014. *Marx: The Alternative to Capitalism*. London: Pluto Press.

Amnesty International. 2017. *Courts of Injustice: Suppressing Activisim Through the Criminal Justice System in Cambodia*. London.

AMRC. 2014. *A Week That Shook Cambodia: The Hope, Anger and Despair of Cambodian Workers after the General Strike and Violent Crackdown*. Hong Kong: Asia Monitor Resource Centre.

Anh, Nguyen Thi Tue, Luu Minh Duc, and Trinh Duc Chieu. 2016. "The Evolution of Vietnamese Industry." In *Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia*, eds. Newman Carol et al. Oxford: Oxford University Press.

Anker, Richard. 2011. *Estimating a Living Wage: A Methodological Review*. ILO: Geneva.

Anker, Richard, and Martha Anker. 2017. *Living Wages around the World: Manual for Measurement*. Cheltenham: Edward Elgar Publishing.

Anner, Mark. 2018. "CSR Participation Committees, Wildcat Strikes and the Sourcing Squeeze in Global Supply Chains." *British Journal of Industrial Relations* 56(1): 75–98.

———. 2019. "Squeezing Workers' Rights in Global Supply Chains: Purchasing Practices in the Bangladesh Garment Export Sector in Comparative Perspective." *Review of International Political Economy*: 1–28.

Anner, Mark, Jennifer Bair, and Jeremy Blasi. 2013. "Toward Joint Liability in Global Supply Chains:

Addressing the Root Causes of Subcontracting Networks." *Comparative Labor Law & Policy Journal* 35(1): 1–43.

Anner, Mark, and Xianggmin Liu. 2016. "Harmonious Unions and Rebellious Workers: A Study of Wildcat Strikes in Vietnam." *Industrial and Labor Relations Review*.

APHEDA. 2017. "5 Things You Need to Know about Trade Union Repression in Cambodia." https://www.apheda.org.au/trade-union-repression-in-cambodia/.

Appelbaum, Richard P. 2008. "Giant Transnational Contractors in East Asia: Emergent Trends in Global Supply Chains." *Competition & Change* 12(1): 69–87.

Arbitration Council. 2015. *Annual Report 2015*. Phnom Penh.

———. 2016. *Annual Report 2016*. Phnom Penh.

———. 2017. *AC Newsletter (January - June 2017)*. Phnom Penh.

———. 2019. "Resolving Labour Disputes by Arbitration Council 2018." https://www.arbitrationcouncil.org/resolving-labour-disputes-by-arbitration-council-2018/.

Arnold, Dennis. 2013. "Workers' Agency and Re-Working Power Relations in Cambodia's Garment Industry." In *Towards Better Work: Understanding Labour in Apparel Global Value Chains*, eds. Arianna Rossi, A. Luinstra, and John Pickles. London: Palgrave MacMillan.

Arnold, Dennis, and Han Shih Toh. 2010. "A Fair Model of Globalisation? Labour and Global Production in Cambodia." *Journal of Contemporary Asia* 40(3): 401–24.

Arrighi, Giovanni. 1990. "The Developmentalist Illusion: A Reconceptualization of the Semiperiphery." In *Semiperipheral States in the World-Economy*, ed. W. G. Martin. Westport, CT: Greenwood Press, 11–42.

Arrighi, Giovanni, and Jessica Drangel. 1986. "The Stratification of the World-Economy: An Exploration of the Semiperipheral Zone." *Review (Fernand Braudel Center)* 10(1): 9–74.

Asia Foundation. 2003. *Democracy in Cambodia: A Survey of the Cambodian Electorate*. San Francisco, CA: Asia Foundation.

Asuyama, Yoko et al. 2013. "Firm Dynamics in the Cambodian Garment Industry: Firm Turnover, Productivity Growth and Wage Profile under Trade Liberalization." *Journal of the Asia Pacific Economy* 18(1): 51–70.

Asuyama, Yoko, and Seiha Neou. 2016. "Cambodia: Growth with Better Working Conditions." In *The Garment Industry in Low-Income Countries*, eds. Takahiro Fukunishi and Tatsufumi Yamagata. Basingstoke: Palgrave MacMillan, 38–76.

Azmeh, Shamel. 2014. "Labour in Global Production Networks: Workers in the Qualifying Industrial Zones (QIZs) of Egypt and Jordan." *Global Networks* 14(4): 495–513.

Azmeh, Shamel, and Khalid Nadvi. 2014. "Asian Firms and the Restructuring of Global Value Chains." *International Business Review* 23(4): 708–17.

Bair, Jennifer. 2005. "Global Capitalism and Commodity Chains: Looking Back, Going Forward." *Competition & Change* 9(2): 153–80.

———. 2008. “Analysing Economic Organization: Embedded Networks and Global Chains Compared.” *Economy and Society* 37(3): 339–64.

———. 2009. *Frontiers of Commodity Chain Research*. Stanford: Stanford University Press.

Bair, Jennifer, and Matthew C. Mahutga. 2016. “Global Commodity Chains and Development.” In *The Sociology of Development Handbook*, ed. Gregory Hooks. Oakland, CA: University of California Press, 645–66.

Bargawi, Omar. 2005. *Cambodia’s Garment Industry – Origins and Future Prospects*. London: Overseas Development Institute.

Barrientos, Stephanie. 2008. “Contract Labour: The ‘Achilles Heel’ of Corporate Codes.” *Development and Change* 39(6): 977–90.

Barrientos, Stephanie, Gary Gereffi, and Arianna Rossi. 2011. “Economic and Social Upgrading in Global Production Networks: A New Paradigm for a Changing World.” *International Labour Review* 150(3–4): 319–40.

Barrientos, Stephanie, and Andrienetta Kritzinger. 2004. “Squaring the Circle: Global Production and the Informalization of Work in South African Fruit Exports.” *Journal of International Development* 16(1): 81–92.

Barrientos, Stephanie, Frederick Mayer, John Pickles, and Anne Posthuma. 2011. “Decent Work in Global Production Networks: Framing the Policy Debate.” *ILR International Labour Review* 150(3–4): 297–317.

Baud, Céline, and Cédric Durand. 2012. “Financialization, Globalization and the Making of Profits by Leading Retailers.” *Socio-Economic Review* 10(2): 241–66.

Beresford, Melanie. 1989. *Vietnam: Politics, Economics, and Society*. London: Pinter.

Beresford, Melanie., and Phong. Dang. 2000. *Economic Transition in Vietnam: Trade and Aid in the Demise of a Centrally Planned Economy*. Cheltenham: Edward Elgar.

Beresford, Melanie. 2005. “Cambodia in 2004: An Artificial Democratization Process.” *Asian Survey* 45(1): 134–39.

———. 2008. “Doi Moi in Review: The Challenges of Building Market Socialism in Vietnam.” *Journal of Contemporary Asia* 38(2): 221–43.

———. 2009. “The Cambodian Clothing Industry in the Post-MFA Environment: A Review of Developments.” *Journal of the Asia Pacific Economy* 14(4): 366–88.

Berg, Janine, and David Kucera. 2008. *In Defence of Labour Market Institutions: Cultivating Justice in the Developing World*. Houndmills: Palgrave Macmillan.

Bernhardt, Thomas, and Ruth Pollak. 2016. “Economic and Social Upgrading Dynamics in Global Manufacturing Value Chains: A Comparative Analysis.” *Environment and Planning A* 48(7): 1220–43.

Bernstein, Henry. 2010. *Class Dynamics of Agrarian Change*. Halifax: Fernwood Publishing.

Bernstein, Henry. 1996. “The Political Economy of the Maize Filiere.” *The Journal of Peasant Studies* 23(2–3): 120–45.

Bernstein, Henry, and Liam Campling. 2006. “Commodity Studies and Commodity Fetishism I: Trading

Down." *Journal of Agrarian Change* 6(2): 239–64.

Better Work Vietnam. 2013. *Case Study: Better Work Vietnam Shows Path for Labour Law Reform*. Geneva: ILO / Washington D.C.: IFC.

BFC. 2013. *Cambodia: Moving Forward toward Better Social Security Better Factories Cambodia*. Phnom Penh.

———. 2014. *Press Release: New Study Finds High Levels of Anemia, Food Insecurity, Among Cambodian Garment Workers*. Phnom Penh: Better Factories Cambodia.

———. 2017. *Annual Report 2017: An Industry And Compliance Review (Cambodia)*. Geneva: ILO.

———. 2018. *Annual Report 2018: An Industry and Compliance Review (Cambodia)*. Geneva: ILO.

Big Empire. 2002. "Cambodia's Garment Factories." www.bigempire.com/sake.

Bivens, Josh, Elise Gould, Lawrence Mishel, and Heidi Shierholz. 2014. *Raising America's Pay: Why It's Our Central Economic Policy Challenge*. Washington, D.C.

Blackledge, Paul. 2006. *Reflections on the Marxist Theory of History*. Manchester: Manchester University Press.

BLS. 2019. *U.S. Bureau of Labor Statistics*. Washington, D.C.: Bureau of Labor Statistics. www.bls.gov.

Bocconi University, ESSEC Business School, and Baker & McKenzie. 2007. *Business Relations in the EU Clothing Chain: From Industry to Retail and Distribution*.

Bonacich, Edna, and David V. Waller. 1994. "The Role of US Apparel Manufacturers in the Globalization of the Industry in the Pacific Rim." In *Global Production: The Apparel Industry in the Pacific Rim*, eds. E. Bonacich et al. Philadelphia: Temple University Press, 80–102.

Boreak, S. 2000. *Land Ownership, Sales and Concentration in Cambodia*. Working Paper 16. Phnom Penh: Cambodia Development Resource Institute (CDRI).

Bosch, Gerhard, and Thorsten Kalina. 2018. "Understanding Rising Income Inequality and Stagnating Ordinary Living Standards in Germany." In *Inequality and Inclusive Growth in Rich Countries: Shared Challenges and Contrasting Fortunes*, ed. Brian. Nolan. New York: Oxford University Press.

Brenner, Robert. 1977. "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism." *New Left Review* 104: 25–92.

———. 1997. "Property Relations and the Growth of Agricultural Productivity in Late Medieval and Early Modern Europe." In *Economic Development and Agricultural Productivity*, eds. Amit Bhaduri and Rune Skarstein. Cheltenham: Edward Elgar Publishing, 9–41.

Brewer, Benjamin D. 2011. "Global Commodity Chains & World Income Inequalities: The Missing Link of Inequality and the Upgrading Paradox." *Journal of World-Systems Research* 17(2): 308–27.

Brown, Frederick Z. 1991. "Cambodia in 1991: An Uncertain Peace." *Asian Survey* 32(1): 88–96.

Bruni, Michelle, Likanan Luch, and Somean Kuoch. 2013. ILO Asia-Pacific Working Paper Series *Skills Shortages and Skills Gaps in the Cambodian Labour Market: Evidence from Employer Skills Needs Survey*. Bangkok: ILO Country Office for Thailand, Cambodia and Lao People's Democratic Republic.

Burawoy, Michael. 2010. "From Polanyi to Pollyanna: The False Optimism of Global Labor Studies." *Global*

Labour Journal 1(2): 301–13.

C.CAWDU. 2013. *Statement of CCAWDU on International Labour Day 2013*. http://d3n8a8pro7vhmx.cloudfront.net/unionleague/pages/15/attachments/original/1373655912/Statement-of-CCAWDU-on-wage-in-Cambodia-2013.pdf.

C&A et al. 2014. "18 September 2014." http://www.industriall-union.org/sites/default/files/uploads/documents/Cambodia/letter_to_dpm_cambodian_government_september_2014.pdf.

Callinicos, Alex. 1990. "The Limits of 'Political Marxism.'" *New Left Review* 184(1): 110–15.

———. 2004. *Making History: Agency, Structure, and Change in Social Theory*. Leiden: Brill.

CAMFEBA. 2015. *Cambodia's Trade Union Law. A Necessity. Employers' Position Paper*. Phnom Penh: Cambodian Federation of Employers and Business Associations (CAMFEBA).

———. 2019. "Our Profile." https://www.camfeba.com/about-us/our-profile.html.

Campbell, Al. 2005. "The Birth of Neoliberalism in the United States: A Reorganisation of Capitalism." In *Neoliberalism: A Critical Reader*, eds. Alfredo Saad-Filho and Deborah Johnston. London: Pluto Press, 187–98.

Campling, Liam, Satoshi Miyamura, Jonathan Pattenden, and Benjamin Selwyn. 2016. "Class Dynamics of Development: A Methodological Note." *Third World Quarterly* 37(10): 1745–67.

Cardoso, Fernando Henrique., and Enzo. Faletto. 1967. *Dependencia y Desarrollo en América Latina: ensayo de interpretación sociológica*. Lima: Instituto de Estudios Peruanos.

Carswell, Grace, and Geert De Neve. 2013. "Labouring for Global Markets: Conceptualising Labour Agency in Global Production Networks." *Geoforum*.

Castree, Noel, Neil Coe, Kevin Ward, and Michael Samers. 2004. Spaces of work: Global capitalism and the geographies of labour *Spaces of Work: Global Capitalism and the Geographies of Labour*. London: United Kingdom, London: SAGE Publications Ltd.

CCC. 2008. *Cashing In: Giant Retailers*. Amsterdam: Clean Clothes Campaign.

———. 2013. *Military Police in Garment Factory*. Clean Clothes Campaign (CCC). https://cleanclothes.org/ua/2013/cases/sl-garments.

———. 2014. "Stitched Up: Poverty Wages for Garment Workers in Eastern Europe." *Clean Clothes Campaign*. cleanclothes.org.

———. 2019. *Submission to UPR Cambodia (Session 32, January 2019)*. Clean Clothes Campaign (CCC).

CCC, and CLEC. 2011. *Ten Years of the Better Factories Cambodia Project*. Amsterdam.

CCHR. 2015a. *Cambodia: Democracy Under Threat*. Phnom Penh: Cambodian Centre for Human Rights (CCHR).

———. 2015b. *CCHR's Analysis and Key Recommendations on LANGO*. Phnom Penh: Cambodian Centre for Human Rights (CCHR).

———. 2016. *Fact Sheet: Trade Union Law 2016 (the "TUL")*. Phnom Penh: Cambodian Centre for Human Rights (CCHR).

———. 2017. *Annex 1: Legal Analysis of the July 2017 Proposed Amendment to the LPP*. Phnom Penh:

Cambodian Centre for Human Rights (CCHR).

CCHR, ADHOC, and 17 other Cambodian NGOs. 2017. *Joint Press Release, Phnom Penh, 28 July 2017: CSOs Express Serious Concerns Regarding the Proposed Amendment to Law on Political Parties , amid Typically Rushed Legislative Process*. Phnom Penh. https://cchrcambodia.org/media/files/press_release/669_202jcescrcopatle_en.pdf.

CDRI. 2005. *Annual Development Review 2004-05*. Phnom Penh: Cambodia Development Resource Institute (CDRI).

———. 2006. *Annual Development Review*. Phnom Penh: Cambodia Development Resource Institute (CDRI).

———. 2007. *Annual Development Review 2006-07*. Phnom Penh: Cambodia Development Resource Institute (CDRI).

———. 2011. *Annual Development Review 2010-11*. Phnom Penh: Cambodia Development Resource Institute (CDRI).

———. 2012. *Annual Development Review 2011-12*. Phnom Penh: Cambodia Development Resource Institute (CDRI).

———. 2017. *Annual Development Review 2016-17*. Phnom Penh: Cambodia Development Resource Institute (CDRI).

CENTRAL. 2018. *Rising Production Targets Undermining Minimum Wage Increases*. Phnom Penh: Center for Alliance of Labor and Human Rights (CENTRAL).

Central Committee of VCP. 2008. *Directive 22-CT/TW of the Central Committee of the Party*. English translation available on AmCham's website. https://www.amchamvietnam.com/directive-22-ct-tw-of-the-central-committee-of-the-party/.

Chan, Anita. 2011. "Strikes in Vietnam and China in Taiwanese-Owned Factories: Diverging Industrial Relations Patterns." In *Labour in Vietnam*, ed. Anita Chan. Singapore: ISEAS-Yusof Ishak Institute, 211–51.

———. 2018. "Trade Union Reform in One- Party States: China and Vietnam Compared." In *Gilded Age*, eds. Ivan Franceschini and Nicholas Loubere. Acton: ANU Press.

Chan, Anita, and Irene Nørlund. 1998. "Vietnamese and Chinese Labour Regimes: On the Road to Divergence." *The China Journal* 40(Special Issue: Transforming Asian Socialism. China and Vietnam Compared): 173–97.

Chan, Anita, and Robert J.S. Ross. 2003. "Racing to the Bottom: International Trade without a Social Clause." *Third World Quarterly* 24(6): 1011–28.

Chandararot, Kang, and Liv Dannet. 2009. *Living Wage Survey for Cambodia's Garment Industry*. Phnom Penh: Cambodia Institute of Development Study (CIDS).

———. 2010a. *Tracking Study of Cambodian Garment Sector Workers Affected by the Global Economic Crisis: Benchmarking Survey Report (Final)*. Phnom Penh: Cambodia Institute of Development Study (CIDS).

Chandararot, Kang, and Ms Liv Dannet. 2010b. *Second Tracking Survey Final Report*.

———. 2010c. *Tracking Study of Cambodian Garment Sector Workers Affected by the Global Economic Crisis: First Tracking Survey (Final Report)*. Phnom Penh: Cambodia Institute of Development Study (CIDS).

Chandler, David. 2009. *A History of Cambodia*. Boulder, CO: Westview Press.

Chattopadhyay, Paresh. 2012. "Competition." In *The Elgar Companion to Marxist Economics*, eds. Ben Fine, Alfredo Saad-Filho, and Marco Boffo. Cheltenham: Edward Elgar Publishing, 72–77.

Chen, Feng. 2010. "Trade Unions and the Quadripartite Interactions in Strike Settlement in China." *China Quarterly* 1(201): 104–24.

Chhair, Sokty, and Luyna Ung. 2016. "Cambodia's Path to Industrial Development." In *Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia*, eds. Carol Newman et al. Oxford: Oxford University Press.

Chheang, Vannarith. 2015. "Cambodia in 2014: The Beginning of Concrete Reforms." *Southeast Asian Affairs 2015*: 89–101.

———. 2018. *Cambodian Power Shift in 2018?* Singapore: ISEAS Yusof Ishak Institute.

Chhun, Chhim, Buth Bora, and Ear Sothy. 2015. *Effect of Labour Movement on Agricultural Mechanisation in Cambodia*. CDRI Working Paper Series No. 107. Phnom Penh: Cambodia Development Resource Institute (CDRI).

Chi, Do Quynh. 2011. "Understanding Industrial Relations Transformation in Vietnam: A Multi-Dimensional Analysis." Work and Organisational Studies, Faculty of Economics and Business, University of Sydney.

———. 2016. "Coordination among Strikes and Prospects for Pattern Bargaining in Vietnam." *Global Labour Column* (234).

———. 2017. "The Regional Coordination of Strikes and the Challenge for Union Reform in Vietnam." *Development and Change* 48(5): 1052–68.

———. 2018. *The Missing Link in the Chain? Trade Regimes and Labour Standards in the Garment, Footwear and Electronics Supply Chains in Vietnam*. Berlin: Friedrich Ebert Stiftung.

Chi, Do Quynh, and Di van den Broek. 2013. "Wildcat Strikes: A Catalyst for Union Reform in Vietnam?" *Journal of Industrial Relations* 55(5): 783–99.

Chun, Jennifer Jihye. 2009. *Organizing at the Margins: The Symbolic Politics of Labor in South Korea and the United States*. Ithaca: Cornell University Press.

Clarke, Simon. 2006. "The Changing Character of Strikes in Vietnam." *Post-Communist Economies* 18(3): 345–61.

———. 2012. "Crisis Theory." In *The Elgar Companion to Marxist Economics*, eds. Ben Fine, Alfredo Saad-Filho, and Marco Boffo. Edward Elgar Publishing, 90–95.

Clarke, Simon, Chang-Hee Lee, and Do Quynh Chi. 2007. "From Rights to Interests: The Challenge of Industrial Relations in Vietnam." *Journal of Industrial Relations* 49(4): 545–68.

Clarke, Simon, and Tim Pringle. 2009. "Can Party-Led Trade Unions Represent Their Members?" *Post-Communist Economies* 21(1): 85–101.

Cleaver, Harry. 2000. *Reading Capital Politically*. Edinburgh: AK, Anti/Theses.

CLEC. 2013. “One Dead, Seven Injured Amid Violent Clashes in SL Garment Workers Strike.” www.clec.org.kh/clecnews.php?cnsID=85.

CLEC, and Labour Behind the Label. 2013. *Shop Til They Drop*. www.clec.org.kh.

Coe, Neil M. 2015. “Labour and Global Production Networks: Mapping Variegated Landscapes of Agency.” In *Putting Labour in Its Place: Labour Process Analysis and Global Value Chains*, eds. Kirsty Newsome, Philip Taylor, Jennifer Bair, and Al Rainnie. London: Palgrave MacMillan, 171–92.

Coe, Neil M., Peter Dicken, and Martin Hess. 2008. “Global Production Networks: Realizing the Potential.” *Journal of Economic Geography* 8(3): 271–95.

Coe, Neil M., and David C. Jordhus-Lier. 2011. “Constrained Agency? Re-Evaluating the Geographies of Labour.” *Progress in Human Geography*.

Coe, Neil M. 2013. “Geographies of production III: Making space for labour.” *Progress in Human Geography* 37(2): 271–84.

Collins, Ngan. 2005. “Economic Reform and Unemployment in Vietnam.” In *Unemployment in Asia*, eds. John Benson and Ying Zhu. London: Routledge, 176–93.

COMFREL. 2002. *Report on the Commune Council Elections*. Phnom Penh: The Committee For Free And Fair Elections In Cambodia (COMFREL).

———. 2007. *Final Assessment and Report On 2007 Commune Council Elections*. Phnom Penh: The Committee For Free And Fair Elections In Cambodia (COMFREL).

———. 2012. *Final Assessment and Report on 2012 Commune Council Elections*. Phnom Penh: The Committee For Free And Fair Elections In Cambodia (COMFREL).

———. 2013. *2013 National Assembly Elections: Final Assessment and Report*. Phnom Penh: The Committee For Free And Fair Elections In Cambodia (COMFREL).

———. 2017. *Final Assessment and Report: The 2017 Commune Council Election*. Phnom Penh: The Committee For Free And Fair Elections In Cambodia (COMFREL).

Comninel, G. C. 2012. “Marxism and History.” In *The Elgar Companion to Marxist Economics*, eds. Ben Fine, Alfredo Saad-Filho, and Marco Boffo. Cheltenham: Edward Elgar Publishing, 212–20.

Cox, Anne. 2015. “The Pressure of Wildcat Strikes on the Transformation of Industrial Relations in a Developing Country: The Case of the Garment and Textile Industry in Vietnam.” *Journal of Industrial Relations Australian Labour and Employment Relations Association* 57(2): 271–90.

Crotty. 2000. *Slow Growth, Destructive Competition, and Low Road Labor Relations: A Keynes-Marx-Schumpeter Analysis of Neoliberal Globalization*. Political Economy Research Institute (PERI), University of Massachusetts Amherst.

CSES. 1996. *Cambodia Socio-Economic Survey 1996*. Phnom Penh: Ministry of Planning, National Institute of Statistics.

———. 2004. *Cambodia Socioeconomic Survey 2004*. Phnom Penh: National Institute of Statistics.

Cumbers, Andrew. 2015. “Understanding Labour’s Agency under Globalization: Embedding GPNs within an Open Political Economy.” In *Putting Labour in Its Place: Labour Process Analysis and Global Value Chains*, eds. Kirsty Newsome, Philip Taylor, Jennifer Bair, and Al Rainnie. London: Palgrave

Macmillan, 135–52.

Cumbers, Andy, Corinne Nativel, and Paul Routledge. 2008. “Labour Agency and Union Positionalities in Global Production Networks.” *Journal of Economic Geography* 8(3): 369–87.

Cumbers, Helms, and Swanson. 2010. “Class, Agency and Resistance in the Old Industrial City.” *Antipode* 42(1): 46–73.

Cuyvers, Ludo, Reth Soeng, and Daniel Van Den Bulcke. 2009. “The Competitive Position of a Developing Economy: The Role of Foreign Direct Investment in Cambodia.” In *Handbook on Small Nations in the Global Economy: The Contribution of Multinational Enterprises to National Economic Success*, eds. Daniel Van Den Bulcke, Alain Verbeke, and Yuan Wenlong. Cheltenham: Edward Elgar Publishing, 244–72.

Cypher, James M, and James L Dietz. 2010. *The Process of Economic Development*. London; New York, N.Y.: Routledge.

Dale, Gareth. 2014. *Karl Polanyi: The Limits of the Market*. Cambridge: Polity Press.

Dalton, Liana, and Athit Kong. 2017. “Living Wage Campaign and Seeds of Radical Transformation in Cambodia.” In *Resistance on the Continent of Labour: Strategies and Initiatives of Labour Organizing in Asia*, ed. Fahmi Panimbang. Hong Kong: Asia Monitor Resource Centre.

Dang, Phong. 2004. “Stages on the Road to Renovation of the Vietnamese Economy: An Historical Perspective.” In *Reaching for the Dream: Challenges of Sustainable Development in Vietnam*, eds. Melanie Beresford and Angie Ngoc Tran. Copenhagen: NIAS Press, 19–50.

Däubler, Wolfgang. 2016. “Experiences as a Consultant in the Field of Labour Law in Vietnam.” In *Labour Market and Industrial Relations in Vietnam*, eds. Ingrid Artus, Uwe Blien, Judith Holland, and Phan thi Hong Van. Baden-Baden: Nomos, 93–108.

DiCaprio, Alisa. 2013. “The Demand Side of Social Protection: Lessons from Cambodia’s Labor Rights Experience.” *World Development* 48: 108–19.

Dicken, Peter. 2017. *Global Shift: Mapping the Changing Contours of the World Economy*. London.

Dickerson, Kitty G. 1999. *Textiles and Apparel in the Global Economy*. Upper Saddle River, N.J.: Merrill.

Dickson, Marsha. 2018a. “Better Buying Purchasing Practices Index, Spring 2018: Purchasing Practices Performance in Apparel, Footwear, and Household Textile Supply Chains.” betterbuying.org.

———. 2018b. “Better Buying Purchasing Practices Index Report Fall 2018: Purchasing Practices Performance in Apparel, Footwear, and Household Textile Supply Chains.” betterbuying.org.

Dieu, D Quang. 2012. *A Study on Trade Union Strategies on Minimum Wage Determination and Setting in Vietnam*. Hanoi: VGCL, Institute for Workers and Trade Unions.

Dixon, Chris. 2004. “State, Party and Political Change in Vietnam.” In *Rethinking Vietnam*, ed. Duncan McCargo. London: Routledge, 15–26.

Dolan, Catherine S. 2004. “On Farm and Packhouse: Employment at the Bottom of a Global Value Chain.” *Rural sociology* 69(1): 99–126.

Downie, Sue. 2000. “Cambodia’s 1998 Election: Understanding Why It Was Not a ‘Miracle on the Mekong.’” *Australian Journal of International Affairs* 54(1): 43–61.

Duménil, Gérard, and Dominique Lévy. 2004. *Capital Resurgent: Roots of the Neoliberal Revolution*.

Cambridge, MA: Harvard Univ. Press.

———. 2005a. “Costs and Benefits of Neoliberalism: A Class Analysis.” In *Financialization and the World Economy*, ed. Gerald A Epstein. Cheltenham: Edward Elgar.

———. 2005b. “The Neoliberal (Counter-) Revolution.” In *Neoliberalism: A Critical Reader*, eds. Alfredo Saad-Filho and Deborah Johnston. London: Pluto Press, 9–19.

Electoral Reform Alliance. 2013. *Joint Report on the Conduct of the 2013 Cambodian Elections*. Phnom Penh.

Eurostat. 2019. “ComExt.” epp.eurostat.ec.europa.eu/newxtweb.

Evans, Alice. 2018. “The Politics of Pro-Worker Reform.” *Socio-Economic Review*.

Evans, Peter. 2005. “Counterhegemonic Globalization: Transnational Social Movements in the Contemporary Global Political Economy.” In *Handbook of Political Sociology: States, Civil Societies, and Globalization*, Cambridge: Cambridge University Press, 655–70.

Fair Action. 2015. *A Short-Term Solution: A Study of the Use of Fixed-Duration Contracts in the Cambodian Garment Industry*. Stockholm: Fair Action.

Fair Labor Association. 2017. *Letter 19 July 2017*. https://www.fairlabor.org/sites/default/files/documents/reports/fla_letter_on_minimum_wage_law_cambodia_july_2017.pdf.

———. 2018. *Letter 19 March 2018*. https://www.fairlabor.org/sites/default/files/letter_to_cambodian_government_march_2018.pdf.

FAOSTAT. 2019. “FAOStat, Producer Prices, Rice, Paddy.” http://www.fao.org/faostat/en/#data/PP .

Fernandez-Stark, Karina, Stacey Frederick, and Gary Gereffi. 2011. “The Apparel Global Value Chain: Economic Upgrading and Workforce Development.” *CGGC Research Projects*.

Fernández, Victor Ramiro. 2015. “Global Value Chains in Global Political Networks: Tool for Development or Neoliberal Device?” *Review of Radical Political Economics* 47(2): 209–30.

FFMP. 2017. *Fundamental Freedoms Monitoring Project - First Annual Report*. Phnom Penh: The Fundamental Freedoms Monitoring Project (Cambodian Centre for Human Rights (CCHR), ADHOC and Solidarity Center).

———. 2018. *Fundamental Freedoms Monitoring Project - Second Annual Report*. Phnom Penh: The Fundamental Freedoms Monitoring Project (Cambodian Centre for Human Rights (CCHR), ADHOC and Solidarity Center).

Fforde, Adam, and Stefan de Vylder. 1996. *From Plan to Market: The Economic Transition in Vietnam*. Boulder, CO: Westview.

Fine, Ben, and Alfredo Saad-Filho. 2016. *Marx’s “Capital.”* 6th ed. eds. Ben Fine and Alfredo Saad-Filho. London: Pluto Press.

Flyvbjerg, Bent. 2006. “Five Misunderstandings about Case-Study Research.” *Qualitative Inquiry* 12(2): 219–45.

Frank, Andre Gunder. 1967. *Capitalism and Underdevelopment in Latin America*. New York: Monthly

Review Press.

Fröbel, Folker, Jürgen Heinrichs, and Otto Kreye. 1980. *The New International Division of Labour: Structural Unemployment in Industrialised Countries and Industrialisation in Developing Countries*. Cambridge: Cambridge University Press.

Frontline Defenders. 2018. “Chea Mony Summoned by Court, Attacked and Receiving Death Threats.” https://www.frontlinedefenders.org/en/case/chea-mony-summoned-court-attacked-and-receiving-death-threats.

Frost, Stephen, and Mary Ho. 2006. “The End of the MFA and Apparel Exports: Has Good CSR Allowed Cambodia to Hold Steady against China in a Quota Free Environment?” *Corporate Social Responsibility and Environmental Management* 13(1): 37–46.

Furtado, Celso. 1961. *Desenvolvimento e subdesenvolvimento*. Rio de Janeiro: Editôra Fundo de Cultura.

GAP. 2018. *2018 Annual Report*. www.gap.com.

Gereffi, Gary. 2007. *The New Offshoring of Jobs and Global Development*. Geneva: International Labour Office.

Gereffi, Gary. 1994. “The Organization of Buyer-Driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks.” In *Commodity Chains and Global Capitalism*, Westport, CT: Praeger, 95–122.

———. 1999. “International Trade and Industrial Upgrading in the Apparel Commodity Chain.” *Journal of International Economics* 48: 37–70.

Gereffi, Gary, and Jennifer Bair. 2001. “Local Clusters in Global Chains: The Causes and Consequences of Export Dynamism in Torreon’s Blue Jeans Industry.” *World Development* 29(11): 1885–1903.

Gereffi, Gary, John Humphrey, and Timothy Sturgeon. 2005. “The Governance of Global Value Chains.” *Review of international political economy* 12(1): 78–104.

Gereffi, Gary, and Miguel Korzeniewicz. 1994. *Commodity Chains and Global Capitalism*. Westport, CT: Praeger.

Gereffi, Gary, and John Pickles. 2006. “Globalization and the Demand for Governance.” In *The New Offshoring of Jobs and Global Development*, ed. Gary Gereffi. Geneva: International Institute for Labour Studies.

Gerring, John. 2006. *Case Study Research Principles and Practices*. Cambridge: Cambridge University Press.

Gerring, John. 2004. “What Is a Case Study and What Is It Good For?” *The American Political Science Review* 98(2): 341–54.

Gibbon, Peter. 2002. “At the Cutting Edge? Financialization and UK Clothing Retailers’ Global Sourcing Patterns and Practices.” *Competition & Change* 6(3): 289–308.

———. 2008. “Governance, Entry Barriers, Upgrading: A Re-Interpretation of Some GVC Concepts from the Experience of African Clothing Exports.” *Competition & Change* 12(1): 29–48.

Glewwe, Paul. 2000. “Are Foreign-Owned Businesses in Vietnam Really Sweatshops ?” *Minnesota Agricultural Economist* (701).

Global Living Wage Coalition. 2019. *What Is a Living Wage?* www.globallivingwage.org.

GMAC. 2019. “Members Directory.” https://www.gmac-cambodia.org/members.

Goto, Junichi. 1989. “The Multifibre Arrangement and Its Effects on Developing Countries.” *World Bank Research Observer* 4(2): 203–27.

Goto, Kenta. 2012. *Is the Vietnamese Garment Industry at a Turning Point?: Upgrading from the Export to the Domestic Market*. IDE Discussion Paper No. 373. Tokyo: IDE-JETRO.

———. 2014. “Vietnam: Upgrading from the Export to the Domestic Market.” In *The Garment Industry in Low-Income Countries*, eds. Takahiro Fukunishi and Tatsufumi Yamagata. Tokyo: IDE-JETRO, 105–31.

Goto, Kenta, Kaoru Natsuda, and John Thoburn. 2011. “Meeting the Challenge of China: The Vietnamese Garment Industry in the Post MFA Era.” *Global Networks* 11(3): 355–79.

Gottesman, Evan. 2004. *Cambodia after the Khmer Rouge: Inside the Politics of Nation Building*. Chiang Mai: Silkworm Books.

Gould, Elise. 2014. EPI Briefing Paper. Economic Policy Institute *Why America’s Workers Need Faster Wage Growth — and What We Can Do About It*. Washington, D.C.

Van Gramberg, Bernadine, Julian Teicher, and Tien Nguyen. 2013. “Industrial Disputes in Vietnam: The Tale of the Wildcat.” *Asia Pacific Journal of Human Resources* 51: 248–68.

Greenfield, Gerard. 1994. “The Development of Capitalism in Vietnam.” *The Socialist Register 1994*: 203–34.

GSO Vietnam. 2008. *Foreign Direct Investment in Vietnam 7 Years at the Beginning of Century 21st*. Hanoi: Statistical Publishing House.

———. 2010a. *Enterprises in Vietnam during the First Nine Year of 21st Century*. Hanoi: Statistical Publishing House.

———. 2010b. *Statistical Yearbook of Vietnam 2009*. Hanoi: Statistical Publishing House.

———. 2013. *Statistical Yearbook of Vietnam 2012*. Hanoi: Statistical Publishing House.

———. 2016. *Statistical Yearbook of Vietnam 2015*. Hanoi: Statistical Publishing House.

———. 2018. *Statistical Yearbook of Vietnam 2017*. Hanoi: Statistical Publishing House.

———. 2019. *Statistical Data*. Hanoi: General Statistical Office of Vietnam.

Guschanski, Alexander, and Ozlem Onaran. 2017. *The Political Economy of Income Distribution: Industry Level Evidence from 14 OECD Countries*. University of Greenwich, Greenwich Political Economy Research Centre.

H&M et al. 2014. “Open Letter to Government, Manufacturers and Trade Unions Calling for Peaceful Resolution of Nationwide Strike Linked to the Cambodian Garment Industry Annual Minimum Wage Increase (7 Jan 2014).” https://www.levistrauss.com/wp-content/uploads/2019/03/OPEN-LETTER-TO-GOVERNMENT-MANUFACTURERS-AND-TRADE-UNIONS-Cambodia.pdf.

———. 2018. *H&M Hennes & Mauritz AB. Full-Year Report 2018*. www.hm.com.

———. 2019. “Our Supplier Factory List.” www.hm.com.

Hall, John. 2000. “Human Rights and the Garment Industry in Contemporary Cambodia.” *Stanford Journal of International Law* 119.

Harvey, David. 1981. "The Spatial Fix–Hegel, von Thunen, and Marx." *Antipode* 13(3): 1–12.

———. 1989. *The Condition of Postmodernity*. Oxford: Blackwell.

———. 2005. *A Brief History of Neoliberalism*. Oxford: Oxford University Press.

———. 2006. *The Limits to Capital*. London: Verso Books.

Heder, Steve. 2005. "Hun Sen's Consolidation: Death or Beginning of Reform?" *Southeast Asian Affairs*: 111–30.

———. 2011. "Cambodia in 2010: Hun Sen's Further Consolidation." *Asian Survey* 51(1): 208–14.

Heintz, James. 2007. *Human Development and Clothing Manufacturing in Cambodia: Challenges and Strategies for the Garment Industry*.

Henderson, Jeffrey et al. 2002. "Global Production Networks and the Analysis of Economic Development." *Review of International Political Economy* 9(3): 436–64.

Herod, Andrew. 1997. "FROM A GEOGRAPHY OF LABOR TO A LABOR GEOGRAPHY : LABOR ' S SPATIAL FIX AND THE GEOGRAPHY OF CAPITALISM Andrew Herod *." *Antipode* 29(1): 1–31.

———. 1998. "Organizing the Landscape : Geographical Perspectives on Labor Unionism." http://site.ebrary.com/id/10159532.

———. 2001. *Labor Geographies : Workers and Landscapes of Capitalism*. New York: Guilford Press.

Hien, Dong Thi Thuong. 2016. "Developing Industrial Relations: The Role of the Vietnam Trade Union." In *Labour Market and Industrial Relations in Vietnam*, eds. Ingrid Artus, Uwe Blien, Judith Holland, and Tran Thi Van Anh. Baden-Baden: Nomos, 263–82.

Hiep, Le Hong. 2012. "Performance-Based Legitimacy: The Case of the Communist Party of Vietnam and Doi Moi." *Contemporary Southeast Asia* 34(2): 145.

Hill, Hal. 2000. "Export Success against the Odds: A Vietnamese Case Study." *World Development* 28(2): 283–300.

Hines, Tony, and Bruce Margaret. 2001. *Fashion Marketing Contemporary Issues*. Oxford: Butterworth-Heinemann.

Hoang, Minh Thi. 2014. *Enhancing the Quality of Collective Bargaining - a Vital Requirement for Improving Workers' Life in Vietnam in the Context of a Highly Competitive Economy and Globalization*. Hanoi Law University.

Hobsbawm. 1962. *The Age of Revolution: Europe 1789-1848*. London: Abacus.

———. 1975. *The Age of Capital: 1848-1875*. London: Weidenfeld and Nicolson.

———. 1987. *The Age of Empire 1875-1914*. London: Weidenfeld and Nicolson.

Hoekman, Bernard M., and M. M. Kostecki. 2013. *The Political Economy of the World Trading System: The WTO and Beyond*. Oxford: Oxford University Press.

Hopkins, Terence K, and Immanuel Wallerstein. 1977. "Patterns of Development of the Modern World-System." *Review (Fernand Braudel Center)*: 111–45.

———. 1986. "Commodity Chains in the World-Economy Prior to 1800." *Review (Fernand Braudel Center)* 10(1): 157–70. http://www.jstor.org/stable/40241052.

Hughes, Caroline. 2003. *The Political Economy of Cambodia's Transition, 1991-2001*. London: Routledge.

Hughes, Caroline. 2006. "The Politics of Gifts: Tradition and Regimentation in Contemporary Cambodia." *Journal of Southeast Asian Studies* 37(3): 469–89.

———. 2007. "Transnational Networks, International Organizations and Political Participation in Cambodia: Human Rights, Labour Rights and Common Rights." *Democratization* 14(5): 834–52.

———. 2008a. "Cambodia in 2007: Development and Dispossession." *Asian Survey* 48(1): 69–74.

———. 2008b. "Cambodia in 2008: Consolidation in the Midst of Crisis." *Asian Survey* 49(1): 206–12.

———. 2010. "Cambodia in 2009 : The Party ' s Not Over Yet." *Southeast Asian Affairs*: 84–99.

Hughes, Caroline, and Netra Eng. 2018. "Facebook, Contestation and Poor People's Politics: Spanning the Urban–Rural Divide in Cambodia?" *Journal of Contemporary Asia*.

Human Rights Watch. 2014a. "Cambodia: Quash Convictions of 25 Activists , Workers." https://www.hrw.org/news/2014/06/01/cambodia-quash-convictions-25-activists-workers.

———. 2014b. *Cambodia: Stop Stalling Union Registrations*. https://www.hrw.org/news/2014/04/29/cambodia-stop-stalling-union-registrations.

———. 2015. *"Work Faster or Get Out": Labour Rights Abuses in Cambodia's Garment Industry*. www.hrw.org.

———. 2016. "In Flawed Union Law, Hope Remains for Greater Transparency." https://www.hrw.org/news/2016/05/02/flawed-union-law-hope-remains-greater-transparency.

Humphrey, John, and Hubert Schmitz. 2002. "How Does Insertion in Global Value Chains Affect Upgrading in Industrial Clusters?" *Regional Studies* 36(9): 1017–27.

ICFTU. 2005. *Cambodia: Increasing Pressure on Trade Union Rights The Impact of the Ending of Quotas on the Textile Industry Mounting Tension in Factories Risks Tarnishing the Country's Good Reputation with Foreign Investors*. Trade Union World. Brussels: International Confederation of Free Trade Unions (ICFTU).

ICJ. 2019. *Submission to UPR Cambodia (Session 32, January 2019)*. International Commission of Jurists (ICJ).

ILO. 2012. *ILO Decent Work Country Profile Cambodia*. Geneva: ILO.

———. 2015a. "Press Release: ILO Calls on Global Garment Buyers to Help Absorb Cambodia's New Minimum Wage." https://www.ilo.org/asia/media-centre/news/WCMS_332064/lang--en/index.htm.

———. 2015b. *World Employment Social Outlook: The Changing Nature of Jobs*. Geneva: International Labour Office.

———. 2016a. *How Is Cambodia's Minimum Wage Adjusted?* Cambodian Garment and Footwear Sector Bulletin (Issue 3). Phnom Penh: ILO.

———. 2016b. *Viet Nam's First Collective Agreement among FDI Companies Signed in Hai Phong*. https://www.ilo.org/hanoi/Informationresources/Publicinformation/newsitems/WCMS_496934/lang--en/index.htm.

———. 2016c. "Weak Minimum Wage Compliance in Asia's Garment Industry." *Asia-Pacific Garment and*

Footwear Sector Research Note (5).

———. 2017a. *Cambodia's Minimum Wage-Fixing Mechanism (LAC Training Aug 2017)*. Phnom Penh.

———. 2017b. *Purchasing Practices and Working Conditions in Global Supply Chains: Global Survey Results*. Geneva.

———. 2017c. World Social Protection Report 2017-19: *World Social Protection Report 2017–19. Universal Social Protection to Achieve the Sustainable Development Goals*. Geneva: ILO.

———. 2018a. *How Has Garment Workers' Pay Changed in Recent Years?* Cambodian Garment and Footwear Sector Bulletin (Issue 3). Phnom Penh: ILO.

———. 2018b. *Living Conditions of Garment and Footwear Sector Workers in Cambodia*. Cambodia Garment and Footwear Sector Bulletin (Issue 8). Phnom Penh: ILO.

———. 2019. *ILOSTAT*. Geneva: ILO. ilostat.ilo.org.

ILO, and OECD. 2015. *The Labour Share in G20 Economies*. Report prepared for the G20 Employment Working Group Antalya, Turkey, 26-27 February 2015.

IMF. 2007. *World Economic Outlook, April 2007: Spillovers and Cycles in the Global Economy*. Washington, D.C.: IMF.

———. 2009. *Balance of Payments and International Investment Positions*. 6th ed. Washington, D.C.: International Monetary Fund (IMF).

———. 2017. *World Economic Outlook, April 2017*. Washington, D.C.: International Monetary Fund (IMF).

Inditex. 2018. "Annual Report of ZARA." www.inditex.com.

IndustriAll. 2015. *Vietnam - on the Road to a Living Wage*. Geneva. http://www.industriall-union.org/vietnam-on-the-road-to-a-living-wage.

International Republican Institute. 2007. *Survey of Cambodian Public Opinion*. Washington, D.C.: International Republican Institute (IRI). www.iri.org.

ITMF. 2018. 40 *International Textile Machinery Shipment Statistics*. Zurich: International Textile Manufacturers Federation.

ITUC. 2008. *Annual Survey of Violations of Trade Union Rights*. Brussels: International Trade Union Confederation (ITUC).

———. 2010. *Annual Survey of Violations of Trade Union Rights*. Brussels: International Trade Union Confederation (ITUC).

———. 2011. *Annual Survey of Violations of Trade Union Rights*. Brussels: International Trade Union Confederation (ITUC).

———. 2016. *ITUC Global Rights Index: The World's Worst Countries for Workers 2016*. Brussels: International Trade Union Confederation.

———. 2018. *2018 ITUC Global Rights Index: The World's Worst Countries for Workers*. Brussels: International Trade Union Confederation.

———. 2019. *Submission to UPR Cambodia (Session 32, January 2019)*. Brussels: International Trade Union Confederation (ITUC).

ITUC, Solidarity Center, and CCHR. 2017. *Joint Legal Analysis of the Draft Law on a Minimum Wage*. Phnom Penh.

IWTU. 2017. *Desk Research on Working Conditions in Vietnamese Garment Industry*. Hanoi: Institute of Workers and Trade Unions (IWTU) (unpublished).

Jaffee, David. 2019. "The Current Crisis of US Neoliberal Capitalism and Prospects for a New 'Social Structure of Accumulation.'" *Review of Radical Political Economics* 51(2): 193–210.

Jassin-O' Rourke Group. 2008. *Global Apparel Manufacturing Labor Cost Analysis 2008*. New York.

Jessop, Bob. 1982. *The Capitalist State*. New York University Press New York.

———. 1990. *State Theory: Putting the Capitalist State in Its Place*. Cambridge: Polity Press.

———. 2007. *State Power: A Strategic-Relational Approach*. Cambridge: Polity Press.

———. 2014. "States, State Power, and State Theory." In *Critical Companion to Contemporary Marxism*, eds. Jacques Bidet, Eustache Kouvélakis, and Gregory Elliott. Chicago: Haymarket Books, 413–29.

Jones, R. M., and S. G. Hayes. 2004. "The UK Clothing Industry. Extinction or Evolution?" *Journal of Fashion Marketing and Management* 8(3): 262–78.

Jonhston, Deborah, and Alfredo Saad-Filho. 2005. "Introduction." In *Neoliberalism: A Critical Reader*, eds. Deborah Jonhston and Alfredo Saad-Filho. London: Pluto Press.

Kabeer, Naila, and Tran Thi Van Anh. 2006. Working Paper Series *Globalisation, Gender and Work in the Context of Economic Transition: The Case of Viet Nam*. The International Working Group on Gender, MAcroeconomics and International Economics (GEM-IWG).

Kaplinsky, Raphael. 2005. *Globalization, Poverty and Inequality: Between a Rock and a Hard Place*. Cambridge: Polity Press.

———. 2006. "Revisiting the Revisited Terms of Trade: Will China Make a Difference?" *World Development* 34(6): 981–95.

Kaplinsky, Raphael, and Amelia U. Santos-Paulino. 2006. "A Disaggregated Analysis of EU Imports: The Implications for the Study of Patterns of Trade and Technology." *Cambridge Journal of Economics* 30(4): 587–611.

Kay, Cristóbal. 1989. *Latin American Theories of Development and Underdevelopment*. London; New York: Routledge.

Keane, Jodie-Anne. 2012. "The Governance of Global Value Chains and the Effects of the Global Financial Crisis Transmitted to Producers in Africa and Asia." *Journal of Development Studies* 48(6): 783–97.

Kenjiro, Yagura. 2005. "Why Illness Causes More Serious Economic Damage than Crop Failure in Rural Cambodia." *Development and Change* 36(4): 759–83.

Kenworthy, Lane. 2018. "America's Great Decoupling." In *Inequality and Inclusive Growth in Rich Countries: Shared Challenges and Contrasting Fortuness*, ed. Brian Nolan. New York: Oxford University Press.

Kerkvliet, Benedict J. Tria. 2001. "An Approach for Analysing State-Society Relations in Vietnam." *SOJOURN* 16(2): 238–78.

———. 2010a. "Governance, Development, and the Responsive-Repressive State in Vietnam." *Forum for Development Studies* 37(1): 33–59.

———. 2010b. "Workers' Protests in Contemporary Vietnam (with Some Comparisons to Those in the Pre-1975 South)." *Journal of Vietnamese Studies* 5(1): 162–204.

———. 2011. "Workers' Protests in Contemporary Vietnam." In *Labour in Vietnam*, ed. Anita Chan. Singapore: Institute of Southeast Asian Studies.

———. 2014. "Government Repression and Toleration of Dissidents in Contemporary Vietnam." In *Routledge Handbook of Contemporary Vietnam*, ed. Jonathan D. London. London: Routledge, 100–135.

———. 2019. *Speaking Out in Vietnam: Public Political Criticism in a Communist Party-Ruled Nation*. Ithaca: Cornell University Press.

Khanh, Trinh Ly. 2014. "Trade Union Organizing Free from Employers' Interference: Evidence from Vietnam." *Souhteast Asian Studies* 3(3): 589–609.

Kiely, Ray. 1998. *Industrialization and Development: A Comparative Analysis*. London: UCL Press.

Kimseng, Men. 2014. "Shaping Political Change: The Role of Social Media in Cambodia's 2013 Elections." *Asia Pacific Media Educator* 24(1): 107–16.

Knorringa, Peter, and Lee Pegler. 2006. "Globlisation, Firm Upgrading and Impacts on Labour." *Tijdschrift voor Economische en Sociale Geografie* 97(5): 470–79.

Koh. 2006. *Wards of Hanoi*. Singapore: ISEAS-Yusof Ishak Institute.

Kolben, Kevin. 2004. "Trade, Monitoring, and the ILO: Working To Improve Conditions in Cambodia' s Garment Factories." *Yale Human Rights and Development Journal Article* 7(1): 79–107.

Kucera, D, and D Sari. 2016. "New 'Labour Rights Indicators': Method and Results."

Lazonick, William, and Mary O'Sullivan. 2000. "Maximizing shareholder value: a new ideology for corporate governance." *Econ. Soc. Economy and Society* 29(1): 13–35.

Le, Huong Thu, and Alison L. Booth. 2014. "Inequality in Vietnamese Urban-Rural Living Standards, 1993-2006." *Review of Income and Wealth* 60(4): 862–86.

Lee, Chang-Hee. 2006a. *Industrial Relations and Dispute Settlement in Viet Nam*. Hanoi.

———. 2006b. "Recent Industrial Relations Developments in China and Viet Nam: The Transformation of Industrial Relations in East Asian Transition Economies." *Journal of Industrial Relations* 48(3): 415–29.

Lee, Sangheon., and Deirdre. McCann. 2011. *Regulating for Decent Work: New Directions in Labour Market Regulation*. Basingstoke: Palgrave Macmillan.

Levy, Dominique., and Gerard. Dumenil. 2013. *The Crisis of Neoliberalism*. Cambridge, MA: Harvard University Press.

Lewis, W A. 1954. "Economic Development with Unlimited Supplies of Labour." *The Manchester School* 22(2): 139–91.

LICADHO. 2003. *Threats to Human Rights Defenders in Cambodia*. Phnom Penh: LICADHO.

———. 2004a. *Crackdown on Gatherings and Demonstrations by Phnom Penh Authorities Since January*

2003. Phnom Penh: LICADHO.

———. 2004b. *Threats to Human Rights Defenders in Cambodia*. Phnom Penh: LICADHO.

———. 2005. *Restrictions on the Freedom of Assembly in Cambodia*. Phnom Penh: LICADHO.

———. 2006a. Human Rights *Attacks & Threats To Human Rights Defenders in Cambodia*. Phnom Penh: LICADHO.

———. 2006b. *Human Rights in Cambodia: The Facade of Stability*. Phnom Penh: LICADHO.

———. 2007a. *Attacks & Threats To Human Rights Defenders in Cambodia*. Phnom Penh: LICADHO.

———. 2007b. *Freedom of Assembly in Cambodia: December 2005 to September 2006*. Phnom Penh: LICADHO.

———. 2007c. *Human Rights in Cambodia: The Charade of Justice*. Phnom Penh: LICADHO.

———. 2010. *Attacks & Threats against Human Rights Defenders in Cambodia 2008-2009*. Phnom Penh: LICADHO.

———. 2012a. *Attacks & Threats Against Human Rights Defenders 2010-12*. Phnom Penh: LICADHO.

———. 2012b. “Carving up Cambodia - One Concession at a Time.” *Cambodia Daily: Weekend*.

———. 2014. *When Freedom Meets Oppression: Timeline of Recent Events*. Phnom Penh: LICADHO. http://www.licadho-cambodia.org/articles/20140209/137/index.html.

———. 2017. *The Dangers of Dissent: Attacks on Human Rights Defenders*. Phnom Penh.

LICADHO, and CLEC. 2014. *Cambodias Draft Law on Unions of Enterprises: Legal Analysis*. Phnom Penh.

van der Linden, Marcel. 2008. *Workers of the World: Essays toward a Global Labor History*. Leiden: Brill.

LO/FTF Council. 2015. *Labour Market Profile 2015: Cambodia*. Copenhagen.

Lopez-Acevedo, Gladys, and Raymond Robertson. 2012. *Sewing Success?* Washington, D.C.: World Bank.

———. 2016. *Stitches to Riches?* Washington, D.C.: World Bank.

Lund-Thomsen, Peter, and Neil M. Coe. 2015. “Corporate Social Responsibility and Labour Agency: The Case of Nike in Pakistan.” *Journal of Economic Geography* 15(2): 275–96.

Maertens, Eppo. 2008. “Polanyi’s Double Movement: A Critical Reappraisal.” *Social Thought & Research* 29: 129–53.

Mahutga, Matthew C. 2014. “Global Models of Networked Organization, the Positional Power of Nations and Economic Development.” *Review of International Political Economy* 21(1): 157–94.

Maizels, Alfred. 2000. *The Manufactures Terms of Trade of Developing Countries with the United States , 1981-97*. Queen Elizabeth House, London.

Marini, Ruy Mauro. 1973. *Dialectica de la Dependencia*. México: Era.

Marx, Karl. 1867. *Capital: A Critique of Political Economy*. London: Penguin Books (1990).

Marx, Karl, and Friedrich Engels. 1848. *The Communist Manifesto*. London: Penguin Books (2015).

Masina, Pietro. 2006. *Vietnam's Development Strategies*. London: Routledge.

Mayer, Frederick, and John Pickles. 2014. "Re-Embedding the Market: Global Apparel Value Chains, Governance and Decent Work." In *Towards Better Work: Understanding Labour in Apparel Global Value Chains*, eds. Arianna. Rossi, Amy. Luinstra, and John Pickles. Basingstoke: Palgrave Macmillan.

Mccargo, Duncan. 2014. "Cambodia in 2013: (No) Country for Old Men?" *Asian Survey* 54(1): 71–77.

Mcgrath-Champ, Susan, Al Rainnie, Graham Pickren, and Andrew Herod. 2015. "Global Destruction Networks, the Labour Process and Employment Relations." *Journal of Industrial Relations Australian Labour and Employment Relations Association* 57(4): 624–40.

MEF. 2017. *Prakas on Suspension of Advance Income Tax of Enterprises in the Textile and Garment Industry*. Phnom Penh: Ministry of Economic and Finance (MEF).

Mejía-Mantilla, C, and M. T. Woldemichael. 2017. Policy Research Working Paper *To Sew or Not to Sew? Assessing the Welfare Effects of the Garment Industry in Cambodia*. Washington, D.C.: World Bank.

Merk, Jeroen. 2014. "The Rise of Tier 1 Firms in the Global Garment Industry: Challenges for Labour Rights Advocates." *Oxford Development Studies* 42(2): 277–95.

———. 2016. *Country Case Study: Cambodia*. Utrecht: CNV International.

Milberg, William. 2008. "Shifting Sources and Uses of Profits: Sustaining US Financialization with Global Value Chains." *Economy and Society* 37(3): 420–51.

Milberg, William, and Deborah Winkler. 2013. *Outsourcing Economics: Global Value Chains in Capitalist Development*. Cambridge: Cambridge University Press.

Miller, Doug, Charlene Aprill, and Ramon Certeza. 2009. "Business as Usual? Governing the Supply Chain in Clothing-Post MFA Phase-out: The Case of Cambodia." *International Journal of Labour Research* 1(1): 10–33.

Miller, Doug, and Peter Williams. 2009. "What Price a Living Wage?: Implementation Issues in the Quest for Decent Wages in the Global Apparel Sector." *Global Social Policy* 9(1): 99–125.

Milonakis, Dimitris., and Ben Fine. 2010. *From Political Economy to Economics: Method, the Social and the Historical in the Evolution of Economic Theory*. London: Routledge.

Mishel, Lawrence, Elise Gould, and Josh Bivens. 2015. *Wage Stagnation in Nine Charts*. Economic Policy Institute, Washington, D.C.

Miyamura, Satoshi. 2012. "Emerging Consensus on Labour Market Institutions and Implications for Developing Countries: From the Debates in India." *Forum for Social Economics* 41(1): 97–123.

MOLISA. 2013. *Decree on Detailing Clause 3 Article 63 of the Labour Ode on Implementing the Democracy Regulation at Grassroots at the Working Places*. Hanoi: Ministry of Labour, Invalids and Social Affairs (MOLISA).

MoLVT. 2006. *Press Release of Labor Advisory Committee (MoLVT & LAC), October 19 2006*. Phnom Penh: Ministry of Labour and Vocational Training.

———. 2012. *Declaration of the Labour Advisory Committee*. Phnom Penh: Ministry of Labour and Vocational Training. https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/93339/109085/F625695107/KHM93339 Eng.pdf.

MOP. 2012. *Migration in Cambodia: Report of the Cambodian Rural Urban Migration Project (CRUMP)*.

Phnom Penh: Ministry of Planning (MOP).

———. 2013. *Poverty in Cambodia - Redefining the Poverty Line*. Phnom Penh: Royal Government of Cambodia, Ministry of Planning.

Morelli, Salvatore, Timothy Smeeding, and Jeffrey Thompson. 2015. "Post-1970 Trends in Within-Country Inequality and Poverty: Rich and Middle-Income Countries." In *Handbook of Income Distribution*, eds. Anthony B Atkinson and François Bourguignon. Elsevier, 593–696.

Morgenbesser, Lee. 2016. *Behind the Facade: Elections under Authoritarianism in Southeast Asia*. New York: State University of New York Press.

Morris, Mike, Leonhard Plank, and Cornelia Staritz. 2016. "Regionalism, End Markets and Ownership Matter: Shifting Dynamics in the Apparel Export Industry in Sub Saharan Africa." *Environment and Planning A* 48(7): 1244–65.

Mosley, Layna. 2011. "Replication Data for: Collective Labor Rights Dataset." *Harvard Dataverse*.

Munck, Ronaldo P. 2002. *Globalisation and Labour: The New "Great Transformation."* London: Zed Books.

Nadvi, Khalid. 2008. "Global Standards, Global Governance and the Organization of Global Value Chains." *Journal of Economic Geography* 8(3): 323–43.

Nadvi, Khalid, and John T. Thoburn. 2004. "Vietnam in the Global Garment and Textile Value Chain: Impacts on Firms and Workers." *Journal of International Development* 16(1): 111–23.

Nathan, Dev, Meenu Tewari, and Sandip Sarkar. 2016. "Introduction." In *Labour in Global Value Chains in Asia*, eds. Dev Nathan, Meenu Tewari, and Sandip Sarkar. Cambridge: Cambridge University Press, 1–23.

National Bank of Cambodia. 2016. *Report on Foreign Direct Investment: Survey Results 2014*. Phnom Penh.

Natsuda, Kaoru, Kenta Goto, and John Thoburn. 2010. "Challenges to the Cambodian Garment Industry in the Global Garment Value Chain." *European Journal of Development Research* 22(4): 469–93.

Nattrass, Nicoli, and Jeremy Seekings. 2018. "Trajectories of Development and the Global Clothing Industry." *Competition and Change* 22(3): 274–92.

Neef, Andreas, and Siphat Touch. 2016. Global Implications of Development, Disasters and Climate Change. Responses to displacement from Asia Pacific *Local Responses to Land Grabbing and Displacement in Rural Cambodia*. eds. Susanna Price and Jane Singer. London: Routledge.

Neilson, Jeffrey. 2014. "Value Chains, Neoliberalism and Development Practice: The Indonesian Experience." *Review of International Political Economy* 21(1): 38–69.

Neiman, Brent, and Loukas Karabarbounis. 2013. "The Global Decline of the Labour Share." *Quarterly Journal of Economics* 129(1): 61–103.

Newman, Susan A. 2009. "Financialization and Changes in the Social Relations along Commodity Chains: The Case of Coffee." *Review of Radical Political Economics* 41(4): 539–59.

Newsome, Kirsty, Philip Taylor, Jennifer Bair, and Al Rainnie. 2015. "Introduction: 'Putting Labour in Its Place': The Labour Process and Global Value Chains." In *Putting Labour in Its Place: The Labour Process and Global Value Chains*, eds. Kirsty Newsome, Philip Taylor, Jennifer Bair, and Al Rainnie. London: Palgrave Macmillan.

Ngoun, Kimly. 2013. "Rethinking Cambodia's Political Transformation." *New Mandala*. https://www.newmandala.org/rethinking-cambodias-political-transformation/.

Nguyen, Cuong Viet. 2017. "Do Minimum Wages Affect Firms' Labor and Capital? Evidence from Vietnam." *Journal of the Asia Pacific Economy* 22(2): 291–308.

Niforou, Christina. 2015. "Labour Leverage in Global Value Chains: The Role of Interdependencies and Multi-Level Dynamics." *Journal of Business Ethics* 130(2): 301–11.

Nike. 2019. "Nike Manufacturing Map." manufacturingmap.nikeinc.com.

NIS. 2013. *Results of Economic Census 2011*. Phnom Penh: National Institute of Statistics.

Nolan, Jin Zhang, and Chunhang Liu. 2008. "The Global Business Revolution, the Cascade Effect, and the Challenge for Firms from Developing Countries." *Cambridge Journal of Economics* 32(1): 29–47.

Nørlund, Irene. 1995. "Democracy and Trade Unions in Vietnam: Riding a Honda in Low Gear." *The Copenhagen Journal of Asian Studies* 11(1): 73–99.

Nørlund, Irene, and Anita Chan. 1998. "Vietnamese and Chinese Labour Regimes: On the Road to Divergence." *The China Journal* 40(40): 173–97.

NSSF. 2018. *Report on Ten-Year Achievements 2008-2017 and Action Plans 2018*.

NTUC et al. 2014. "Call to Action on $ 177 Campaign." https://www.jwj.org/wp-content/uploads/2014/09/140917-International-Call-to-Action-on-Cambodia-Wage-Campaign_Eng.pdf.

Nuon, Veasna, and Melisa Serrano. 2010. *Building Unions in Cambodia: History, Challenges, Strategies*. Berlin: Friedrich Ebert Stiftung.

OBS. 2010. *Cambodia: Freedoms of Expression, Association and Assembly - A Shrinking Space*. Paris: The Observatory for the Protection of Human Rights Defenders.

OECD.Stat. 2019. *OECD.Stat*. Paris: OECD.

OECD. 2012. *Divided We Stand: Why Inequality Keeps Rising*. Paris: OECD.

OHCHR Cambodia. 2016. "A Human Rights Analysis of the Draft Law on Trade Unions."

———. 2017. *A Human Rights Analyses on The Law on Political Parties*. Phnom Penh.

———. 2018. *A Human Rights Analysis of the Draft Law on Minimum Wage*. Phnom Penh.

Osorio, Jaime. 2016. "Dialectics, Superexploitation, and Dependency: Notes on the Dialectics of Dependency." *Social Justice* 42(1): 93–106.

OXFAM. 2000. *Where Has All the Land Gone?* Oxfam GB Cambodia Land Study Project. Oxford: Oxfam.

Oxfam GB. 2005. *Trading Away Our Rights: Women Working in Global Supply Chains*. Oxford: Oxfam.

Packard, Le Anh Tu. 2006. *Comprehensive Macroeconomic and Gender Dimensions of Viet Nam's Structural Reform Policies*. United Nations Research Institute for Social Development (UNRISD).

Palma, Gabriel. 1978. "Dependency: A Formal Theory of Underdevelopment or a Methodology for the Analysis of Concrete Situations of Underdevelopment?" *World Development* 6(7–8): 881–924.

Palpacuer, Florence. 2008. "Bringing the Social Context Back in: Governance and Wealth Distribution in Global Commodity Chains." *Economy and Society* 37(3): 393–419.

Palpacuer, Florence, Peter Gibbon, and Lotte Thomsen. 2005. "New Challenges for Developing Country Suppliers in Global Clothing Chains: A Comparative European Perspective." *World Development* 33(3): 409–30.

Peou, Sorpong. 1999. "Cambodia in 1998: From Despair to Hope?" *Asian Survey* 39(1): 20–26.

———. 2011. "Cambodia: A Hegemonic Party System in the Making." In *Political Parties, Party Systems and Democratisation in East Asia*, eds. Liang Fook Lye and Wilhelm Hofmeister. Singapore: World Scientific Publishing, 79–106.

Perrone, Luca, Erik Olin Wright, and Larry J Griffin. 1984. "Positional Power, Strikes and Wages." *American Sociological Review* 49(3): 412–26.

Phan, Diep. 2009. *A Report on Vietnam's Labour Market*. Hanoi: CIEM-Danida Project.

Phann, Dalis, Sokcheng Phay, Kimsun Ong, and Dorina Pon. 2014. *Landlessness and Child Labour in Cambodia*. Phnom Penh: Cambodia Development Resource Institute (CDRI).

Phillips, Nicola, and Leonardo Sakamoto. 2012. "Global Production Networks, Chronic Poverty and 'Slave Labour' in Brazil." *Studies in Comparative International Development* 47(3): 287–315.

Pike, Douglas. 1994. "Vietnam in 1993: Uncertainty Closes In." *Asian Survey* 34(1): 64–71.

Piketty, Thomas. 2014. *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press.

Pinto, A. 1965. "Concentración Del Progreso Técnico y de Sus Frutos En El Desarrollo Latinoamericano." *El trimestre económico* 32(1): Mexico City, Fondo de Cultura Económica.

Polanyi, Karl. 1944. *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press.

Polaski, Sandra. 2004a. *Cambodia Blazes a New Path to Economic Growth and Job Creation*. Washington DC: Carnegie Endowment.

———. 2004b. "Protecting Labor Rights through Trade Agreements: An Analytical Guide." *Journal of International Law and Policy* 10: 14–26.

———. 2006. "Combining Global and Local Forces: The Case of Labor Rights in Cambodia." *World Development* 34(5): 919–32.

Poulantzas, Nicos. 1978. *State, Power, Socialism*. London: Verso.

Prebisch, Raul. 1950. Economic Commission for Latin America *The Economic Development of Latin America and Its Principal Problems*. New York: United Nations.

Pringle, Tim, and Simon Clarke. 2011. *The challenge of transition: trade unions in Russia, China and Vietnam*. New York: Palgrave Macmillan.

Quan, Katie. 2008. "Use of Global Value Chains by Labor Organizers." *Competition & Change* 12(1): 89–104.

Rainnie, Al, Andrew Herod, and Susan McGrath-Champ. 2011. "Review and Positions: Global Production Networks and Labour." *Competition & Change* 15(2): 155–69.

Ramamurthy, Bhargavi, Sik Boreak, Per Ronnas, and Sok Hach. 2001. *Cambodia 1999-2000: Land, Labour and Rural Livelihood in Focus*. Working Paper No. 21. Phnom Penh: Cambodia Development Resource Institute (CDRI).

Ranis, Gustav. 2004. "ARTHUR LEWIS'S CONTRIBUTION TO DEVELOPMENT THINKING AND POLICY."

Rasiah, Rajah. 2009. "Garment Manufacturing in Cambodia and Laos." *Journal of the Asia Pacific Economy* 14(2): 150–61.

Riisgaard, Lone, and Nikolaus Hammer. 2011. "Prospects for Labour in Global Value Chains: Labour Standards in the Cut Flower and Banana Industries." *British Journal of Industrial Relations* 49(1): 168–90.

Rosen, Ellen Israel. 2002. *Making Sweatshops the Globalization of the U.S. Apparel Industry*. Berkeley, CA: University of California Press.

Rossi, Arianna. 2013. "Does Economic Upgrading Lead to Social Upgrading in Global Production Networks? Evidence from Morocco." *World Development* 46: 223–33. http://dx.doi.org/10.1016/j.worlddev.2013.02.002.

Royal Government of Cambodia. 2013. *Rectangular Strategy Phase III , SamdechTecho Hun Sen Rectangular Strategy Phase III , SamdechTecho Hun Sen*. Phnom Penh.

———. 2015. *Cambodia Industrial Development Policy 2015-2025*. Phnom Penh. http://www.mih.gov.kh/File/UploadedFiles/12_9_2016_4_29_43.pdf.

Ruggie, John Gerard. 1982. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order." *International Organization* 36(2): 379–415.

Saad-Filho, Alfredo. 2002. *The Value of Marx : Political Economy for Contemporary Capitalism*. London: Routledge.

Salmivaara, Anna. 2018. "New Governance of Labour Rights: The Perspective of Cambodian Garment Workers' Struggles." *Globalizations* 15(3): 329–46.

Sampson, Gary. 1986. "Market Disturbances and the Multifibre Arrangement." In *Issues in World Trade Policy*, ed. Richard Snape. London: Macmillan Press.

Schmalz, Stefan, Carmen Ludwig, and Edward Webster. 2018. "The Power Resources Approach: Developments and Challenges." *Global Labour Journal* 9(2): 113–34.

Schweisshelm, Erwin, and Do Quynh Chi. 2018. "From Harmony to Conflict - Vietnamese Trade Unions on the Threshold of Reform." In *Trade Unions in Transition*, eds. Rudolf Traub-Merz and Tim Pringle. Berlin: Friedrich Ebert Stiftung, 109–48.

Schweisshelm, Hieu, and Phuc. 2017. *Trade Unions in Transformation: Enhancing and Mobilizing, Structural and Organisational Power to Better Protect the Rights and Interests of Workers in Vietnam*. Berlin: Friedrich Ebert Stiftung.

Selwyn. 2012a. "Beyond Firm-Centrism: Re-Integrating Labour and Capitalism into Global Commodity Chain Analysis." *Journal of Economic Geography* 12(1): 205–26.

———. 2012b. *Workers, State and Development in Brazil : Powers of Labour, Chains of Value*. Manchester: Manchester University Press.

———. 2013. "Social Upgrading and Labour in Global Production Networks: A Critique and an Alternative Conception." *Competition & Change* 17(1): 75–90.

———. 2015. "Commodity Chains, Creative Destruction and Global Inequality: A Class Analysis." *Journal of Economic Geography* 15(2): 253–74.

———. 2016. "Global Value Chains and Human Development: A Class-Relational Framework." *Third World Quarterly* 37(10): 1768–86.

Selwyn, Ben. 2007. "Labour Process and Workers' Bargaining Power in Export Grape Production, North East Brazil." *Journal of Agrarian Change* 7(4): 526–53.

———. 2008. "Bringing Social Relations Back in: (Re) Conceptualising the 'Bullwhip Effect' in Global Commodity Chains." *International Journal of Management Concepts and Philosophy* 3(2): 156.

Selwyn, Benjamin. 2019. "Poverty Chains and Global Capitalism." *Competition and Change* 23(1): 71–97.

Selwyn, and Satoshi Miyamura. 2014. "Class Struggle or Embedded Markets? Marx, Polanyi and the Meanings and Possibilities of Social Transformation." *New Political Economy* 19(5): 639–61.

Shea, Anna, Mariko Nakayama, and Jody Heymann. 2010. "Improving Labour Standards in Clothing Factories: Lessons from Stakeholder Views and Monitoring Results in Cambodia." *Global Social Policy* 10(1): 85–110.

Silver, Beverly J. 2003. *Forces of Labor*. Cambridge: Cambridge University Press.

Simon, D. 2013. "Neoliberalism, Structural Adjustment and Poverty Reduction Strategies." In *The Companion to Development Studies*, eds. Vandana. Desai and Robert B Potter. London: Routledge.

Singer, H W. 1950. "The Distribution of Gains between Investing and Borrowing Countries." *The American Economic Review* 40(2): 473–85.

Slocomb, Margaret. 2010. *An Economic History of Cambodia in the Twentieth Century*. Singapore: Singapore University Press.

Slocomb, Margaret. 2006. "The Nature and Role of Ideology in the Modern Cambodian State." *Journal of Southeast Asian Studies* 37(3): 375–95.

Smith. 2016. *Imperialism in the Twenty-First Century: Globalization, Super-Exploitation, and Capitalism's Final Crisis*. New York: Monthly Review Press.

Smith, Adrian et al. 2002. "Networks of Value, Commodities and Regions: Reworking Divisions of Labour in Macro-Regional Economies." *Progress in Human Geography* 26(1): 41–63.

———. 2015. "The State, Institutional Frameworks and the Dynamics of Capital in Global Production Networks." *Progress in Human Geography* 39(3): 290–315.

Solidarity Center Cambodia et al. 2019. *Joint Submission to UPR Cambodia, Labor Rights Thematic Group (Session 32, January 2019)*.

Sophal, Chan. 2008. *Impact of High Food Prices in Cambodia*. Policy brief 2008, no. 02. Phnom Penh: Cambodia Development Resource Institute (CDRI).

Spencer, David A. 2014. "Marx and Marxist Views on Work and the Capitalist Labour Process." In *Workers and Labour in a Globalised Capitalism*, ed. Maurizio Atzeni. Basingstoke: Palgrave Macmillan, 25–45.

Stanford Law School, and Worker Rights Consortium. 2013. *Monitoring in the Dark: An Evaluation of the International Labour Organization's Better Factories Cambodia Monitoring and Reporting Program*.

Staritz, Cornelia. 2011. *Making the Cut? Low-Income Countries and the Global Clothing Value Chain in a Post-Quota and Post-Crisis World*. Washington, D.C.: World Bank.

———. 2012. *Apparel Exports - Still a Path for Industrial Development? Dynamics in Apparel Global Value Chains and Implications for Low-Income Countries*. Vienna.

Staritz, Cornelia, and Mike Morris. 2017. "Industrial Upgrading and Development in Lesotho's Apparel Industry: Global Value Chains, Foreign Direct Investment, and Market Diversification." *Oxford Development Studies* 45(3): 303–20.

Staritz, Cornelia, Susan Newman, Bernhard Tröster, and Leonhard Plank. 2018. "Financialization and Global Commodity Chains: Distributional Implications for Cotton in Sub-Saharan Africa." *Development and Change* 49(3): 815–42.

Statista. 2018a. *Market Share of the Leading Apparel Retailers in the United States in 2015*. www.statista.com.

———. 2018b. *Market Share of the Leading Brand Apparel Companies Worldwide in 2016*. www.statista.com.

———. 2019. "Vietnam: Average Age of the Population from 1950 to 2050 (Median Age in Years)." https://www.statista.com/statistics/444584/average-age-of-the-population-in-vietnam/.

Strangio, Sebastian. 2014. *Hun Sen's Cambodia*. Chiang Mai: Silkworm.

Stromseth, Jonathan R. 1998. "Reform and Reponse in Vietnam: State-Society Relations and the Changing Political Economy." Columbia University.

Taplin, Ian Malcolm. 2014. "Global Commodity Chains and Fast Fashion: How the Apparel Industry Continues to Re-Invent Itself." *Competition & Change* 18(3): 246–64.

Target. 2018. *Target Annual Report 2018*. corporate.target.com.

Taylor, Marcus. 2007. "Rethinking the Global Production of Uneven Development." *Globalizations* 4(4): 529–42.

Teschke, Benno, and Hannes Lacher. 2007. "The Changing 'Logics' of Capitalist Competition." *Cambridge Review of International Affairs* 20(4): 565–80.

Thayer, Carlyle A. 1992. "Political Reform in Vietnam: Doi Moi and the Emergence of Civil Society." In *The Developments of Civil Society in Communist Systems*, ed. Robert Miller. London: Allen and Unwin, 110–29.

———. 2010. "Political Legitimacy in Vietnam: Challenge and Response." *Politics and Policy* 38(3): 423–44.

Thompson. 1963. *The Making of the English Working Class*. New York: Vintage Books.

———. 1978. *The Poverty of Theory & Other Essays*. London: Monthly Review Press.

Tokatli, Nebahat. 2013. "Toward a Better Understanding of the Apparel Industry: A Critique of the Upgrading Literature." *Journal of Economic Geography* 13(6): 993–1011.

Toye, John. 1987. *Dilemmas OfDevelopment: Reflections on the Counter-Revolution in Development Theory and Policy*. Oxford: Blackwell.

Tran, Angie Ngoc. 2004. "Linking Growth with Equity? The Vietnamese Textile and Garment Industries since Doi Moi." In *Reaching for the Dream: Challenges of Sustainable Development in Vietnam*, Copenhagen: NIAS Press, 135–82.

———. 2007a. "Alternatives to the 'Race to the Bottom' in Vietnam." *Labor Studies Journal* 32(4): 430–51.

———. 2007b. "The Third Sleeve Emerging Labor Newspapers and the Response of the Labor Unions and the State to Workers' Resistance in Vietnam." *Labor Studies Journal* 32(3): 257–79.

———. 2012. *Vietnamese Textile and Garment Industry in the Global Supply Chain: State Strategies and Workers' Responses*.

———. 2013. *Ties That Bind : Cultural Identity, Class, and Law in Vietnam's Labor Resistance*. Ithaca: Cornell University Press.

Tran, Angie Ngoc, Jennifer Bair, and Marion Werner. 2017. "Forcing Change from the Outside? The Role of Trade-Labour Linkages in Transforming Vietnam's Labour Regime." *Competition and Change* 21(5): 397–416.

Um, Khatharya. 1990. "Cambodia in 1989: Still Talking but No Settlement." *Asian Survey* 30(1): 96–104.

———. 2014. "Cambodia in 2013: The Winds of Change." *Southeast Asian Affairs*: 99–116.

UN. 1997. *Situation of Human Rights in Camboda: Report of the Special Representative of the Secretary-General for Human Rights in Cambodia, Mr. Thomas Hammarberg, Submitted in Accordance with Commission Resolution 1996/54*. New York: United Nations Economic and Social Council (E/CN.4/1997/85).

UN Comtrade. 2019. *UN Comtrade*. New York: United Nations Trade Statistics Branch, United Nations Statistics Division. https://comtrade.un.org/.

UN Data. 2019. *National Accounts Official Country Data*. New York: United Nations Statistics Division. data.un.org.

Un, Kheang. 2005. "Patronage Politics and Hybrid Democracy: Political Change in Cambodia, 1993-2003." *Asian Perspective* 29(2): 203–30.

———. 2006. "State, Society and Democratic Consolidation: The Case of Cambodia." *Pacific Affairs* 79(2): 225–45.

———. 2013. "Cambodia in 2012: Towards Developmental Authoritarianism." *Southeast Asian Affairs*: 71–86.

———. 2015. "The Cambodian People Have Spoken: Has the Cambodian People's Party Heard?" *Southeast Asian Affairs*: 102–16.

UNCTAD. 2013. *Global Value Chains: Investment and Trade for Development*. Geneva: United Nations Conference on Trade and Development.

UNDP Cambodia, and MOP. 2007. *Cambodia Human Development Report 2007: Expanding Choices for Rural People*. Phnom Penh: Ministry of Planning and UNDP Cambodia.

UNIDO. 2019. *INDSTAT 2 Industrial Statistics Database at 2-Digit Level of ISIC Revision 3*. Vienna.

US Department of Labor. 2003. *Foreign Labor Trends 2003: Cambodia*. Washington, D.C.

US Department of State. 1998. *Country Reports on Human Rights Practices 1997: Cambodia*. Washington, D.C.

———. 2001. *Country Reports on Human Rights Practices 2000: Cambodia*. Washington, D.C.

———. 2002. *Country Reports on Human Rights Practices 2001: Cambodia*. Washington, D.C.

———. 2006. *Country Reports on Human Rights Practices 2005: Cambodia*. Washington, D.C.

———. 2009. *Country Reports on Human Rights Practices 2008: Cambodia*. Washington, D.C.

———. 2011. *Country Reports on Human Rights Practices 2010: Cambodia*. Washington, D.C.

US Embassy in Cambodia. 2006. *Cambodian Garment Sector Worried About Dramatic Increase in Labor Unrest*. Phnom Penh (diplomatic cable leaked to WikiLeaks).

———. 2016. "Duty Free Access for Travel Goods Made in Cambodia." kh.usembassy.gov/duty-free-access-travel-goods-made-cambodia.

USITC. 2019. *U.S. International Trade Commission Interactive Trade DataWeb (USITC DataWeb), Using Data Retrieved from the U.S. Bureau of the Census*.

Valencia, Adrián Sotelo. 2014. "Latin America: Dependency and Super-Exploitation." *Critical Sociology* 40(4): 539–49.

———. 2017. *The Future of Work: Super-Exploitation and Social Precariousness in the 21st Century*. Leiden: Brill.

VCOSA. 2017. *Vietnam Textile Industry & Fabric Production Without TPP*. Ho Chi Minh City: Vietnam Cotton & Spinning Association (VCOSA). http://www.ecvinternational.com/2017VietnamTextile/pdf/05 VCOSA.pdf.

VEPR. 2017. Policy Discussion *Minimum Wages in Viet Nam: Preliminary Observations*. Hanoi: Vietnam Institute for Economic and Policy Research (VEPR).

———. 2018. *2018 Vietnam Annual Economic Report*. Hanoi: Viet Nam Institute for Economic and Policy Research (VEPR).

Vera, Leonardo. 2013. "Some Useful Concepts for Development Economics in the Tradition of Latin American Structuralism." *American Journal of Economics and Sociology* 72(4): 917–48.

VGCL. 2013. *Charter of Vietnam Trade Unions*. Hanoi: VGCL.

Vickery, Michael. 1984. *Cambodia 1975-1982*. Chiang Mai: Silkworm Books.

Vickery, Michael. 1994. "The Cambodian People's Party: Where Has It Come From , Where Is It Going?" *Southeast Asian Affairs*: 102–17.

Vuong, Quan Hoang. 2014. *Vietnam's Political Economy: A Discussion on the 1986-2016 Period*. Centre Emile Durkheim and Solvay Brussels School.

Ward, Kristy, and Vichhra Mouyly. 2016. "Employment Relations and Political Transition in Cambodia." *Journal of Industrial Relations* 58(2): 258–72.

Webster, Eddie., Rob Lambert, and Andries. Bezuidenhout. 2008. *Grounding Globalization: Labour in the Age of Insecurity*. Oxford: Blackwell Publishing.

Weggel, Oskar. 2007. "Cambodia in 2006: Self-Promotion and Self-Deception." *Asian Survey* 47(1): 141–47.

Weisskopf, Thomas E. 1979. "Marxian Crisis Theory and the Rate of Profit in the Postwar US Economy." *Cambridge Journal of Economics* 3(4): 341–78.

Wells-Dang, Andrew. 2010. "Political Space in Vietnam: A View from the 'Rice-Roots.'" *Pacific Review* 23(1): 93–112.

Wells, Don. 2007. "'Best Practice' in the Regulation of International Labor Standards: Lessons of the U.S.-Cambodia Textile Agreement." *Comparative Labor Law & Policy Journal* 27(3): 357–76.

Werner, Marion, and Jennifer Bair. 2015. "Global Production and Uneven Development: When Bringing Labour in Isn't Enough." In *Putting Labour in Its Place: Labour Process Analysis and Global Value Chains*, eds. Kirsty Newsome, Philip Taylor, Jennifer Bair, and Al Rainnie. London: Palgrave Macmillan, 119–32.

Werner, Marion, Jennifer Bair, and Victor Ramiro Fernández. 2014. "Linking Up to Development? Global Value Chains and the Making of a Post-Washington Consensus." *Development and Change* 45(6): 1219–47.

White, Ben et al. 2012. "The New Enclosures: Critical Perspectives on Corporate Land Deals." *Journal of Peasant Studies* 39(3–4): 619–47.

Womack, Brantly. 1987. "The Party and the People: Revolutionary and Postrevolutionary Politics in China and Vietnam." *World Politics* 39(4): 479–507.

Wood, Ellen Meiksins. 1995. *Capitalism against Democracy: Renewing Historical Materialism*. Cambridge: Cambridge University Press.

Worker Rights Consortium. 2014. *Update on Ongoing Abuse of Temporary Employment Contracts in the Cambodian Garment Industry*. Washington, D.C.

World Bank. 2007. *World Bank Poverty Assessment 2007*. Washington, D.C.: World Bank.

———. 2014. *Where Have All The Poor Gone? Cambodia Poverty Assessment 2013*. Washington, D.C.: World Bank.

———. 2015. *Cambodian Agriculture in Transition: Opportunities and Risks*. Washington, D.C.: World Bank.

———. 2017. *Cambodia Economic Update: Cambodia Climbing Up the Manufacturing Value Chains*. Washington, D.C.: World Bank.

———. 2018. *Cambodia Economic Update: Staying Competitive through Improving Productivity*. Washington, D.C.: World Bank. www.worldbank.org/cambodia.

———. 2019. *World Development Indicators*. Washington, D.C.: World Bank.

Wright, Erik Olin. 2000. "Working-Class Power, Capitalist-Class Interests, and Class Compromise." *American Journal of Sociology* 105(4): 957–1002.

WTO. 2018. *World Trade Statistical Review 2018*. Geneva: World Trade Organization (WTO).

Xhafa, Edlira, and Veasna Nuon. 2018. *The Future of "Ethical Production" for Cambodia's Garment and Footwear Industry: What Role for Trade Agreements with Labour Clauses?* Berlin: Friedrich Ebert Stiftung.

Yale Law School. 2011. *Tearing Apart at the Seams: How Widespread Use of Fixed-Duration Contracts Threatens Cambodian Workers and the Cambodian Garment Industry*. New Haven, CT: Allard K. Lowenstein International Human Rights Clinic.

Yamagata, Tatsufumi. 2006. *The Garment Industry in Cambodia: Its Role in Poverty Reduction through Export-Oriented Development*. IDE Discussion Paper No. 62. Tokyo: IDE-JETRO.

Media coverage (chronological)

Independent 6 May 1996: “Workers 'abused' in Cambodia”

Phnom Penh Post 9 Aug 1996: “The rag trade: savior or sinner?”

Phnom Penh Post 27 Dec 1996: “Union: split was coerced”

International Viewpoint 3 Jun 1997: “Garment workers revolt”

Phnom Penh Post 21 Mar 1997: “CPP said to be diversifying into unions”

Cambodia Daily 22 Jul 1999: “Factory Fumes Fell Dozens”

Wall Street Journal 28 Feb 2000: “Trade Deal Helps Cambodian Workers, But Payoff From the U.S. Is Withheld”

Cambodia Daily 15 Jun 2000: “Workers Marching Toward Talks With Bosses; Gov’t In Tow”

Cambodia Daily 20 Jun 2000: “Labor Committee To Examine Factory Pay”

BBC 21 Jun 2000: “Cambodian garment workers strike”

Phnom Penh Post 23 June 2000: “Striking Workers Shot”

South China Morning Post 26 June 2000: “Strike cripples garment industry”

Cambodia Daily 28 Jun 2000: “Union Says Strike is Over for Now, Ready To Negotiate”

Cambodia Daily 14 Jul 2000: “$5 Raise in Minimum Wage OK’d”

Phnom Penh Post 13 Apr 2001: “Union feud hurts workers”

Cambodia Daily 11 Nov 2001: “Study Says More Wage Hikes May Hurt Garment Industry”

Cambodia Daily 18 Feb 2003: “45 Employees Of Garment Factory Faint”

Vietnam News 27 Sep 2005: “Government plans to hike wages of FDI firms workers”

Vietnam News 14 Oct 2005: “Labour shortage discouraging to foreign customers”

Vietnam News 15 Oct 2005: “Companies set to adopt standard minimum wage”

VnExpress 26 Dec 2005: “Chưa chỉnh lương tối thiểu trong doanh nghiệp FDI từ 1/1”

Vietnam News 10 Feb 2006: “South's IZs face labour shortage”

Vietnam News 18 Apr 2006: “Central industrial parks bring workers back home”

Vietnam News 21 Apr 2006: “Foreign firms in need of more blue-collar workers”

Cambodia Daily 1 Jul 2006: “Police on Alert for Strike Despite Union Pledge”

Phnom Penh Post 25 Aug 2006: “Garment factory opponents prepare for wage talks”

Cambodia Daily 8 Sep 2006: “Unions, Manufacturers To Meet on Minimum Wage”

Cambodia Daily 12 Sep 2006: “GMAC, Unions Fail To Agree on Wage Increase”

Cambodia Daily 4 Mar 2008: “Inflation Hits 18.7% in Year To Jan 2008”

Cambodia Daily 24 March 2008: “FTU Moves To Strike in Effort To Increase Wages”

New York Times 10 Sep 2008: Cambodia’s migrant movement changing Phnom Penh’s socio-economic landscape

Cambodia Daily 31 Aug 2009: “Mass Fainting at Garment Factory Blamed on Ramadan”

VOA News 1 Nov 2009: “Vietnam Businesses Struggle to Find Workers”

Vietnam News 18 Mar 2010: “Labour shortage as rural workers stay home”

Cambodia Daily 28 Jun 2010: “Gov’t Calls for Minimum Wage Hike Ahead of Planned Strikes”

Phnom Penh Post 5 Jul 2010: “Another 50,000 threaten to strike”

Phnom Penh Post 9 Jul 2010: “Minimum wage ruling set to spark garment protests”

Cambodia Daily 9 Jul 2010: “Minimum Wage Set To Rise to $61 This Year”

Phnom Penh Post 16 Aug 2010: “Factory closes down after mass fainting”

Phnom Penh Post 15 Sep, 2010: “Strikes face legal hurdle”

Phnom Penh Post 16 Sep 2010: “Strike called off early”

Phnom Penh Post 1 Dec 2010: “Labour talks held at ministry”

Phnom Penh Post 17 Jan 2011: “Critics take aim at union law”

Phnom Penh Post 8 Mar 2011: “New agreement brokered on garment worker benefits”

Phnom Penh Post 15 Mar 2011: “Call for change to union law”

Reuters 13 Apr 2011: “Cambodia probes mass fainting of workers at Puma supplier”

Phnom Penh Post 18 Nov 2011: “‘Huge changes’ made to new draft union law”

Phnom Penh Post 27 Feb 2012: “Protesters try new tactics”

Phnom Penh Post 5 Apr 2012: “Mass factory fainting”

Phnom Penh Post 18 May 2012: “Strikers told they have it good”

Vietnam News 25 Jun 2012: “Amended Labour Code protects workers”

Phnom Penh Post 12 Jul 2012: “Ministry, factories strike deal”

Cambodia Daily 13 Jul 2012: “Union Bashes Wage Hike, Ponders National Strike”

Phnom Penh Post 17 Jul 2012: “Parties to form Cambodia Democratic Movement of National Rescue”

Phnom Penh Post 20 Jul 2012: “Factory workers hold out for more”

Phnom Penh Post 28 Aug 2012: “Bonuses ‘won’t end strikes’”

Phnom Penh Post 29 Oct 2012: “Government pledges pay boost”

Phnom Penh Post 7 Nov 2012: “A factory’s fainting crisis”

Phnom Penh Post 4 Dec 2012: “Shift in CNRP's political strategy to win elections”

Phnom Penh Post 7 Dec 2012: “Labour shortage in Cambodia's garment industry”

Phnom Penh Post 31 Dec 2012: “Cambodian Confederation of Unions threatens mass strike”

Phnom Penh Post 2 Jan 2013: “Factory worker wages to be re-examined”

Phnom Penh Post 3 Jan 2013: “Cambodia's unions cry foul on fainting figures”

Cambodia Daily 23 Jan 2013: “Government Tells Unions to Agree on Minimum Wage Demands”

Phnom Penh Post 8 Feb 2013: “China factories relocate in Cambodia”

Cambodia Daily 28 Feb 2013: “Factories Offer $11 Wage Increase; Unions Stick to Demands”

Cambodia Daily 1 Mar 2013: “CNRP Proposes Minimum Wage Law for Garment, State Workers”

Phnom Penh Post 6 Mar 2013: “Room for compromise in wage debate: official”

Cambodia Daily 13 Mar 2013: “Hun Sen Says Wage Changes Are Not Up to Government”

Phnom Penh Post 21 Mar 2013: “Garment wage raised to $75”

RFA 21 Mar 2013: “Cambodia Ups Minimum Wages for Workers”

Guardian 27 Apr 2013: “Bangladesh Factory Collapse: Police Detain Owners, as Death Toll Exceeds 350”

Cambodia Daily 30 Apr 2013: “Hun Sen Seeks Garment Factory Worker Vote”

Phnom Penh Post 22 Mar 2013: “Wage increase sewn up”

Wall Street Journal: 1 May 2013: “China Manufacturers Survive by Moving to Asian Neighbors”

Phnom Penh Post 2 May 2013: “Workers march, air grievances”

Cambodia Daily 2 May 2013: “Workers Take to the Streets to Mark Labor Day”

Phnom Penh Post 22 May 2013: “Fire truck sprays down striking factory workers”

Phnom Penh Post 24 May 2013: “Strike to continue after meetings fail at factory”

Phnom Penh Post 24 Jun 2013: “Nike asks gov’t for Sabrina inquiry”

Phnom Penh Post 10 Jul 2013: “Stitching up an election”

Phnom Penh Post 15 Jul 2013: “Pro-CPP unions rally en masse”

Cambodia Daily 15 Jul 2013: “Trade Unions Line Up Behind Parties Before National Election”

Cambodia Daily 20 Jul 2013: “Supporters Rally as Rainsy Returns, Vows Change”

Cambodia Daily 22 Jul 2013: “Media Cite NEC Regulations for Rainsy Ban”

Phnom Penh Post 22 Jul 2013: “NEC slams door on Rainsy bid”

Phnom Penh Post 25 Jul 2013: “Final push to finish line”

Cambodia Daily 27 Jul 2013: “Opposition Party Looks Set to Clinch Garment Worker Vote”

Phnom Penh Post 20 Aug 2013: “Strike grows as another factory walks”

Phnom Penh Post 26 Aug 2013: “SL Garment workers to protest at City Hall”

Phnom Penh Post 26 Aug 2013: “Further wage increases eyed”

Phnom Penh Post 30 Aug 2013: “SL strikers go back to work today”

Phnom Penh Post 3 Sep 2013: “Garment grievances to be aired”

Phnom Penh Post 5 Sep 2013: “Hundreds fired after garment strike ends”

Phnom Penh Post 6 Sep 2013: “City Hall factory protest draws thousands”

Cambodia Daily 6 Sep 2013: “After Mass Protest, 700 Fired Factory Workers Reinstated”

Cambodia Daily 12 Sep 2013: “FTU Requests Week Off for Workers to Join Rally”

Cambodia Daily 16 Sep 2013: “Cambodian TV Fails to Cover Protests”

Phnom Penh Post 23 Sep 2013: “Shots fired at SL Garment factory rally”

Cambodia Daily 26 Sep 2013: “Opposition Party Threatens Nationwide Labor Strikes”

Cambodia Daily 1 Oct 2013: “Levi Strauss Pulls Out From Embattled SL Garment Factory”

Cambodia Daily 10 Oct 2013: “Cambodia’s Manufacturers Shift to Higher-Value Clothing”

Phnom Penh Post 22 Oct 2013: “Sabrina workers out after months in jail”

Phnom Penh Post 25 Oct 2013: “Stones, bottles traded at SL Garment protest”

Phnom Penh Post 4 Nov 2013: “H&M CEO, PM in tête-à-tête”

Cambodia Daily 5 Nov 2013: “H&M Calls for Yearly Minimum Wage Review”

Phnom Penh Post 12 Nov 2013: “Violent clash of strikers, police kills one”

Cambodia Daily 26 Nov 2013: “Government to Consider New Minimum Wage”

Cambodia Daily 28 Nov 2013: “Labor Minister Proposes Annual Wage Rise”

Phnom Penh Post 3 Dec 2013: “SL reps, unionists to sign deal to end strike”

Phnom Penh Post 4 Dec 2013: “Jubilation as SL strike ends”

Cambodia Daily 17 Dec 2013: “Government Proposes 100% Hike in Minimum Wage by 2018”

Phnom Penh Post 18 Dec 2013: “Garment workers told to go back to factories”

Cambodia Daily, 19 Dec 2013: “Unions to Push for 100% Wage Increase in 2014”

Cambodia Daily 20 Dec 2013: “Svay Rieng Workers Strike Again, Throw Rocks”

RFA 24 Dec 2013: “Decision on Wages For Cambodian Garment Workers Triggers Protests”

Cambodia Daily 25 Dec 2013: “Monthly Wage Increased to $95, Unions Vow to Strike”

Phnom Penh Post 25 Dec 2013: “CNRP sees allies in strikers”

Phnom Penh Post 26 Dec 2013: “Strike picks up steam”

Phnom Penh Post 26 Dec 2013: “Protest paths converge”

Phnom Penh Post 26 Dec 2013: “GMAC calls for factories to shutter”

RFA 26 Dec 2013: “Striking Garment Workers Join Cambodian Opposition Protests”

Phnom Penh Post 27 Dec 2013: “Strike numbers swell”

Cambodia Daily 27 Dec 2013: “Factories Advised to Close as Wage Strikes Swell”

Phnom Penh Post 28 Dec 2013: “Violent clash as garment strike intensifies”

Phnom Penh Post 30 Dec 2013: “CNRP calls a timeout”

Phnom Penh Post 31 Dec 2013: “Take it or leave it offer”

Phnom Penh Post 31 Dec 2013: “A long road still travelled”

Cambodia Daily 31 Dec 2013: “Gov’t Unveils Legal Plan to Break Garment Industry Strike”

Phnom Penh Post 1 Jan 2014: “Extra $5 ‘won’t woo workers’”

Cambodia Daily 1 Jan 2014: “Amid Strikes, Minister Raises Minimum Wage to $100”

Phnom Penh Post 2 Jan 2014: “Workers quietly trickle back”

Cambodia Daily 6 January 2014: “After Clashes, Garment Workers Flee Veng Sreng Street”

Phnom Penh Post 16 Jan 2014: “Strike action still on table, unions say”

Phnom Penh Post 17 Jan 2014: “Retail associations urge talks”

Phnom Penh Post 22 Jan 2014: “Large protest planned for Sunday”

Phnom Penh Post 26 Jan 2014: “Bloody return to Freedom Park”

Phnom Penh Post 27 Jan 2014: “Clashes as rally ban enforced”

Phnom Penh Post 28 Jan 2014: “Union reps fired after strike”

Cambodia Daily 12 Feb 2014: “Labor Ministry Ignored Its Own Research on Minimum Wage”

Phnom Penh Post 20 Feb 2014: “Brands, gov’t, unions meet on the issues”

Cambodia Daily 25 Feb 2014: “Garment Workers Begin Boycott of Overtime”

Phnom Penh Post 25 Feb 2014: “Overtime boycott under way”

Phnom Penh Post 26 Feb 2014: “Boycott a tough call for many”

Phnom Penh Post 5 Mar 2014: “Park off limits; unions defiant”

Phnom Penh Post 6 Mar 2014: “Unions expect violence, but forum to go on”

Phnom Penh Post 8 Mar 2014: “Women's day forum blocked”

Phnom Penh Post 11 Mar 2014: “Strike may be shifted to post-holiday date”

Cambodia Daily, 13 Mar 2014: “On 1st Day, Garment Strike Gains Little Traction”

Phnom Penh Post 7 Apr 2014: “Date set for wage-reform talks”

Cambodia Daily 7 April 2014: “Labor Ministry, ILO Set Out Plan for Minimum Wage Reforms”

Phnom Penh Post 9 Apr 2014: “Incitement charge over SL rioting”

Phnom Penh Post 18 Apr 2014: “Stay-at-home garment strike off to weak start”

Cambodia Daily 19 April 2014: “Nationwide Garment Factory Strike Sputters Into Second Day”

Cambodia Daily 26 Apr 2014: “GMAC Boycotts Workshop on Minimum Wages”

Cambodia Daily 27 May 2014: “Brands, Unions Say Gov’t Moving Slowly on Wage Talks”

Cambodia Daily 29 May 2014: “ILO Says Gov’t Moving Backward With Draft Union Law”

Phnom Penh Post 25 Jun 2014: “Union boss to appeal $25k bail”

Cambodia Daily 11 Aug 2014: “Unions, Factories Set Positions on Minimum Wage Raise”

Cambodia Daily 21 Aug 2014: “Unions Say Gov’t Blocking Branch Registrations”

Cambodia Daily 21 Aug 2014: “In Charm Offensive, Hun Sen Promises Workers Raises, Pension”

Phnom Penh Post 21 Aug 2014: “Hun Sen vows benefits for factory workers”

Phnom Penh Post 28 Aug 2014: “Hun Sen continues to court factory workers”

Cambodia Daily 5 Sep 2014: “Labor Unions Soften Minimum Wage Demand”

Cambodia Daily 9 Sep 2014: “Seven Unions Plan Campaign for $177 Wage as Revision Looms”

Phnom Penh Post 18 Sep 2014: “A brand new strategy”

Cambodia Daily 18 Sep 2014: “Unions Stage Lunchtime Campaign for $177 Wage”

Guardian 21 Sep 2014: “Fashion retailers agree to raise minimum wage in Cambodia”

Phnom Penh Post 1 Oct 2014: “Unions unite across ideologies”

Phnom Penh Post 3 Oct 2014: “Poverty line $120, gov’t says”

Cambodia Daily 7 Oct 2014: “Minister Says Wage Agreement Must Be Reached Next Month”

Phnom Penh Post 10 Oct 2014: “Income tax threshold raised”

Cambodia Daily 15 Oct 2014: “Minister Brings ‘Activist’ Unions Into Wage Talks”

Cambodia Daily 30 Oct 2014: “Working Group Minimum Wage Vote Due Wednesday”

Cambodia Daily 31 Oct 2014: “Unions’ Push For $140 Minimum Wage Derailed”

Cambodia Daily 12 Nov 2014: “Labor Minister Announces $128 Minimum Wage”

Cambodia Daily 17 Nov 2014: “Unions Displeased With Wage Hike, But Not Enough to Strike”

Khmer Times 30 Apr 2015: “As China Costs Rise, Factories Relocate to Cambodia”

Phnom Penh Post 2 Jan 2015: “The calm after the storm”

Cambodia Daily 30 Jan 2015: “Electricite du Cambodge Begins Residential Electricity Overhaul”

Cambodia Daily 7 Jul 2015: “National Assembly Passes Law on Rent Control”

Cambodia Daily 21 Aug 2015: “Garment Factories Vote to Freeze Minimum Wage”

Cambodia Daily 9 Oct 2015: “Garment Sector Minimum Wage Raised to $140”

Cambodia Daily 7 Jan 2016: “New Health Care Plan to Cover Workers”

Cambodia Daily 23 Mar 2016: “Unnamed Factory Hits Union Leader With Forgery Lawsuit”

Phnom Penh Post 25 Aug 2016: “Cambodia’s migrant movement changing Phnom Penh’s socio-economic landscape”

Phnom Penh Post 31 Aug 2016: “Garment factory data revised”

Phnom Penh Post 30 Sep 2016: “Government sets minimum wage at $153 a month”

Cambodia Daily 9 Nov 2016: “Union Leaders Complain About Life Under New Labor Law”

Phnom Penh Post 1 Dec 2016: “Fears wage law article could crimp research”

Cambodia Daily 19 Jun 2017: “Official, Pollster Confirm CPP Polling After Findings Leaked”

Cambodia Daily 11 Feb 2017: “Sam Rainsy Resigns as Opposition Party President”

Cambodia Daily 19 Jun 2017: “US Brands Object to Draft Wage, Dispute Settlement Laws”

Cambodia Daily 11 Jul 2017: "First Garments Manufacturing Training Institute to Open"

Khmer Times 1 Aug 2017: "Garments strategy in pipeline"

Cambodia Daily 7 Aug 2017: "PM to Hold Weekly Meetings With Workers"

Cambodia Daily 21 Aug 2017: "In Charm Offensive, Hun Sen Promises Workers Raises, Pension"

Khmer Times 24 Aug 2017: "PM announces boost to maternity leave salaries"

Cambodia Daily 28 Aug 2017: "Hun Sen Promises Free Hospital Treatment, Checkups for Workers"

Phnom Penh Post 28 Aug 2017: "Factories encouraged to invest more in tech"

Cambodia Daily 30 Aug 2017: "Politics Trump Economics in Promised Wage Hike"

Phnom Penh Post 4 Sep 2017: "Sokha arrested for 'treason', is accused of colluding with US to topple the government"

Khmer Times 7 Sep 2017: "PM announces $100 bonuses for workers having babies"

Phnom Penh Post 5 Oct 2017: "PM targets short contracts in latest bid to woo garment workers"

Phnom Penh Post 5 Oct 2017: "GMAC calls on government to help offset rising labour costs"

Phnom Penh Post 5 Oct 2017: "PM targets short contracts in latest bid to woo garment workers"

Khmer Times 6 Oct 2017: "Minimum wage to be $170"

Phnom Penh Post 6 Oct 2017: "Big boost for garment sector minimum wage, though some see a political motive"

Phnom Penh Post 17 Oct 2017: "Labour Ministry says it will scrap clauses from law"

Phnom Penh Post 18 Oct 2017: "GMAC makes run at duty-free access for footwear in the US"

Nikkei Asian Review 25 Oct 2017: "Hun Sen woos garment workers ahead of Cambodian election"

Phnom Penh Post 8 Nov 2017: "Government will drop export fee starting next year"

Phnom Penh Post 15 Dec 2017: "Controversial Trade Union Law having desired effect?"

VietnamPlus 4 Jan 2018: "Garment sector eyes 34 billion USD in export turnover"

Phnom Penh Post 17 Jan 2018: "Income tax threshold raised again"

Just-style.com 26 Jan 2018: "Modern Slavery Uncovered in India's Garment Sector"

Phnom Penh Post 23 Feb 2018: "Labour Ministry eyes minimum wage law"

Phnom Penh Post 13 Mar 2018: "Workers fired after trying to unionise"

Phnom Penh Post, 10 Apr 2018: "Universal minimum wage law drops contentious punitive measures"

Khmer Times 8 Jun 2018: "Parliament passes minimum wage law"

CustomNews.vn 15 Jul 2018: "Vietnam's textile and garment industry still has a long way to catch up with other countries"

Phnom Penh Post 1 Nov 2018: "Kingdom sees 69 factories open"

Reuters 7 Nov 2018: "Cambodia's Hun Sen eases pressure on unions, as EU sanctions threat looms"

Phnom Penh Post 8 Nov 2018: "PM urges ministers to end all cases against union leaders"

VOA News 11 Dec 2018: "Cambodian Court Gives Suspended Sentences to Labor Leaders"

Phnom Penh Post 12 Dec 2018: “Union leader six found guilty over violent protests in 2013”

Phnom Penh Post 14 Jan 2019: “Camcontrol may leave border”

Vietnam News 19 Jan 2019: “Firms to seek local suppliers”

Reuters 11 Feb 2019: “EU begins process to hit Cambodia with trade sanctions”

Phnom Penh Post 22 Feb 2019: “Former union president Mony’s charges dropped”

Vietnam Investment Review 16 Feb 2019: “Japanese Advantage Partners acquires Vietnamese fashion chain Elise”

Phnom Penh Post 6 Mar 2019: “Big rise in funds for travel goods manufacturing”

Dantri 14 Mar 2019: “Các cuộc ngừng việc, đình công trong toàn quốc giảm 35 %”

Khmer Times 29 Apr 2019: “China to help Cambodia if EBA removed”

Khmer Times 5 Aug 2019: “Draft law on social security approved”